

### Country Portfolio Reviews: A tool for strategic portfolio analysis in German development cooperation

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# COUNTRY PORTFOLIO REVIEWS

*A tool for strategic portfolio analysis in German  
development cooperation*

2019



**DEval**

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EVALUATION

In line with the 2030 Agenda, over the last few years the German Federal Ministry for Economic Cooperation and Development (BMZ) has launched processes of structural change for the strategic planning and management of its bilateral development cooperation. Rather than pursuing a compartmentalised focus on individual programmes, portfolio management now focuses on integrated and holistic country-level approaches. To some extent, however, German bilateral development cooperation lacks the evidence on which to base its decision-making on portfolio management. The BMZ has responded to these challenges and taken steps to strengthen the evidence-based strategic portfolio management of bilateral development cooperation.

Building on the BMZ's groundwork, the German Institute for Development Evaluation analysed the existing evidence gaps in more precise detail. Following that an analytical tool was developed to support the BMZ in closing these evidence gaps at portfolio level on a long-term basis and for all partner countries. This development process took place in close consultation with the Ministry. The first steps in the process were based on an extensive desk study as well as interviews with international experts. Two case studies in Kenya and Mongolia plus extensive assessment workshops were then used to test, refine and finalise the tool.

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# EXECUTIVE SUMMARY

## Background and objectives

### *The 2030 Agenda is making new demands on international cooperation*

International development cooperation is frequently criticised for being of limited effectiveness, and therefore doing little to actually promote sustainable development. It is undisputed that shortcomings in policy and institutional frameworks in partner countries, and inefficient structures and processes in international cooperation, prevent development cooperation from being more effective. In particular, partner country institutions face the challenges created by the growing fragmentation of development cooperation. More and more stakeholders are getting involved in development cooperation and playing an active role in more and more projects. In some partner countries many donors operate in the same sectors instead of complementing each other, which makes the task of coordination more complex for partner governments.

In many cases, donors' working structures also act as a constraint on more effective development cooperation. Existing projects and programmes are continued for political reasons or due to the self-interest of implementing organisations, rather than in response to changing contextual factors. This means that the decisions taken are not always evidence-based. These challenges often prevent development cooperation from responding coherently and effectively to current development needs in a partner country, and prevent governments in partner countries from assuming ownership of joint development projects.

Since 2015 the 2030 Agenda has provided a guiding framework for action by international cooperation. Through it the international community has agreed on a new understanding of development as well as 17 Sustainable Development Goals (SDGs). It emphasises the alignment of international cooperation with partner country priorities and needs. The Agenda aims to achieve a holistic perspective on development challenges, and to take greater account of the interactions between the social, economic and environmental dimensions of development than has so far been the case.

Against this background, ensuring the relevance and ultimately also the effectiveness of bilateral development cooperation will require strategic steps to be taken on various levels. This will involve focusing bilateral development cooperation as a whole (macro level), ensuring strategic alignment and coherence at country level (meso-level), and enhancing planning and management at programme and project level (micro level).

### *The BMZ has responded to these new demands on international development cooperation*

With this very much in mind, over the last few years the German Federal Ministry for Economic Cooperation and Development (BMZ) has launched processes of structural change for the strategic planning and management of its bilateral development cooperation. Alongside efforts made by the BMZ at the macro level to focus bilateral development cooperation, an increasing number of changes are being implemented at the meso-level. As also emphasised by the strategy paper *Entwicklungspolitik 2030* ['Development Policy in 2030' – currently only available in German] published by the BMZ in 2018, rather than pursuing a compartmentalised focus on individual programmes and projects, it is envisaged that portfolio management will now focus on integrated and holistic country-level approaches.

These changes at the meso-level reflect the understanding of development inherent in the 2030 Agenda. Be it the coherent design of country portfolios, focusing on macro-level development needs and trends in the partner country, responding to current reform momentum and government priorities, or including interactions between the social, environmental and economic dimensions of development – needed management decisions cannot be taken at the level of individual projects. They can only be made at the portfolio level. Accordingly, the BMZ has been seeking to strengthen the coherence of country portfolios through country strategies ever since 2012.

Since the BMZ's Joint Procedural Reform in 2018, to promote sustainable development in partner countries as envisaged by the 2030 Agenda German development cooperation has been promoting an approach comprising a country strategy in conjunction with country programmes and modules. Here, country strategies are the key instrument for the strategic planning and management of bilateral development cooperation at country level. They provide binding and strategic directives, and explain why German development cooperation is committed in the long term to specific priority areas and fields of action (internal BMZ guidelines).

### *Challenges remain at the level of country portfolios*

The changes described above have strengthened the BMZ's management structures. Nonetheless, as already noted in the peer review of Germany published by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) in 2015, results-based management continues to face challenges. The above report places particular emphasis on the fact that German bilateral development cooperation lacks the evidence necessary to evaluate its general relevance and effectiveness in a partner country. Hence there is a risk that, rather than evidence, other considerations such as whether ongoing programmes will be continued may be unduly influencing strategic decision-making on portfolios (OECD, 2015).

The BMZ has responded to these challenges and taken steps to strengthen the evidence-based strategic portfolio management of bilateral development cooperation. In 2016, for instance, work to analyse the prevailing evidence gaps and to initiate the development of corresponding analytical tools was commenced.

### *DEval supports the BMZ's strategic portfolio management*

The German Institute for Development Evaluation (DEval) aims to help make German development cooperation more effective. This is why it has supported the BMZ in strengthening its results-based management. Building on the work already performed by the BMZ, DEval set out to identify the evidence gaps adversely affecting strategic portfolio management. In a second step, it aimed to develop an appropriate analytical tool that can help close the existing evidence gap at portfolio level within the BMZ on a long-term basis and for all partner countries.

### **Conclusions and strategic recommendations for the BMZ**

In light of the changing demands on bilateral development cooperation the BMZ has strengthened its processes for strategic planning and management at portfolio level. Nonetheless, there remains an evidence gap that poses a challenge for strategic management of the country portfolios. At the portfolio level there is only little evidence available on whether the portfolio as a whole is oriented appropriately, whether the agreed priority areas are still the right ones, how the individual modules and programmes are interlinked, and whether the portfolio as a whole and the priority areas have succeeded in facilitating systemic and sustainable change.

As demonstrated in the following report, a tool for strategic portfolio analysis can meaningfully support the BMZ's strategy building process and strategic management at country level. First of all, a tool of this kind will support the regional divisions in drawing up the country strategies that are key to management by providing an independent analysis of the country portfolio in light of future needs in the partner country. It can therefore help the BMZ to meet more effectively its international obligations in conjunction with the 2030 Agenda. Secondly, strategic portfolio analyses can supply the BMZ with key information on overarching strategic issues by identifying and analysing structural challenges faced by German bilateral development cooperation.



**Strategic recommendation 1:** The BMZ's efforts to introduce a tool for strategic analysis at the portfolio level are to be welcomed. The tool should be firmly institutionalised within the management system for bilateral development cooperation, and perform two roles. It should A) help close the information gap at portfolio level, and by doing so strengthen the strategic management of bilateral development cooperation at the level of the regional divisions; and B) generate findings that will help improve the overarching directives and processes of bilateral development cooperation.

To perform the roles described, the analyses should be conducted as comprehensively and regularly as possible in all partner countries, and the information should be fed into the strategic management of official bilateral development cooperation in good time so that it can be used when developing the country strategy. This will require a detailed assessment of the relevance of German bilateral development cooperation in light of Germany's global obligations such as the 2030 Agenda, and the elaboration of evidence-based options for strategic orientation of the portfolio.

Comparison with various types of instrument for such a strategic portfolio analysis, such as country programme evaluations, has clearly shown that country portfolio reviews are the appropriate analytical tool. Given their lean and future-oriented nature, and their focus on updating or reorienting country strategies, plus their focus on overarching relevance and management aspects, country portfolio reviews (CPRs) meet many of the described requirements.

**Strategic recommendation 2:** To support portfolio management and country strategy development, the BMZ should introduce country portfolio reviews as a tool for strategic analysis.

DEval has developed a corresponding CPR tool. This involved an intensive process of development and trialling. The tool has been designed to match precisely the needs of German bilateral development cooperation, and to ensure compliance with basic evaluation standards and lessons learned by other donors when implementing CPRs. At the same time, when developing the tool it became clear that areas remain where the tool should be further refined. Particularly bearing in mind future changes in the system of bilateral development cooperation, refining the tool should in the future also be an integral part of implementing CPRs.

**Strategic recommendation 3:** CPRs should be implemented in accordance with the procedural guidelines elaborated. To further enhance the quality of CPRs and take account of changes in the German development cooperation system, the tool should be continuously reviewed with regard to its utility, and refined.

The evidence gaps at portfolio level are not a country-specific phenomenon. They occur in most partner countries of German bilateral development cooperation. Furthermore, there are major differences between the regional divisions in terms of the nature of the reflection process when drawing up or revising the country strategies. This means there are also differences in the quality of the evidence on which the process is based. To ensure that all country strategies are developed on the basis of an independent and robust body of information, country portfolio reviews should be institutionalised as a binding element of the reflection process in the long term. Furthermore, this is the only possible way to obtain a representative picture of the strengths and challenges of German bilateral development cooperation that will support organisational learning.

**Strategic recommendation 4:** To ensure that CPRs deliver added value for the strategic management of bilateral development cooperation in all partner countries, the BMZ should make CPRs in the long term a binding element in the reflection phase when drawing up country strategies. By clearly assigning responsibilities within the Ministry, the BMZ should ensure that the findings are used both at the country level for portfolio management, and at the overarching level for answering strategic questions.

Appropriate institutionalisation of the CPR tool is a key prerequisite for implementing it to a high standard of quality. As well as the long-term institutionalisation of CPRs in the process of preparing country strategies, this will also require the establishment of a unit that will be continuously responsible for the

CPRs. National and international lessons learned to date with the implementation of CPR-like formats have clearly shown that CPRs must be capable of producing independent findings and reporting on them transparently. One particular way of ensuring this is to make the CPR unit organisationally independent, and separate from operational business.

Creating an independent CPR unit at the BMZ would be possible in principle. However, this would entail significant administrative challenges and involve a greater use of BMZ's internal resources than would be the case with an external unit. Further arguments in favour of an external unit are that this would make it easier to develop CPR expertise in the long term, and would guarantee independence.

**Strategic recommendation 5:** The BMZ should institutionalise implementation of the CPR tool in a way that safeguards the independence and ensures the quality of CPRs. An independent external organisation should be mandated to conduct the CPRs for a test phase. Should the test phase prove successful, long-term institutionalisation in an external organisation should be pursued.

CPRs address key issues of strategy building. They focus on aspects of assessing relevance and coherence. CPRs thus supply valuable independent information on strategic portfolio management.

Considerable though the additional benefits of CPRs for the German development cooperation system may be, the limitations of this tool are also evident. During the development process it emerged that as a strategic analytical tool at country portfolio level, CPRs can cover only part of the information that the BMZ requires for modern and results-based portfolio management.

It is true that CPRs discuss the country portfolio's potential effectiveness, i.e. the extent to which the generation of systemic, sustainable results is considered plausible. However, CPRs cannot supply any evidence-based findings on effectiveness or sustainability at programme or project level. This is due largely to the unavailability of corresponding secondary data. CPRs are not able to themselves collect data in order to measure results. Question concerning the effectiveness, impact, sustainability and efficiency of individual programmes or even modules/projects can only be answered when high-quality evaluations have been conducted at the programme/project level. The BMZ, implementing organisations and DEval have already gained some sporadic experience with review- and evaluation-based approaches at the level of priority areas and programmes. No standardised procedure exists as yet, however.

**Strategic recommendation 6:** The BMZ should continue to explore the systematic introduction of evaluations at programme/priority area level. Here it will be able to build on existing observations and lessons learned by the BMZ, implementing organisations and DEval. Where possible the evaluations should assess the effectiveness, impact, sustainability and efficiency of programmes. Ideally, these evaluations will be timed such that they can be used as a source of information for CPRs, and thus for developing country strategies. It would appear to make sense to develop a tool for programme/priority area evaluations for this purpose, analogous to the CPR tool.

## Country portfolio reviews at a glance

By institutionalising a tool for conducting country portfolio reviews the BMZ would be introducing a further instrument for more efficient and modern strategic portfolio management. The graphic below shows the key aspects of the tool developed for country portfolio reviews.

# Country Portfolio Reviews

At a glance



## Objectives and purpose of CPRs

CPRs support the regional divisions of the BMZ in elaborating country strategies



and systematically and independently analyse official bilateral DC.



## CPRs answer the question

Is German DC (still) doing the right thing in the partner country?



... and are based on the following criteria:

- 1 Development needs in the partner country
- 2 Reform dynamics and government priorities
- 3 Coordination and cooperation with other stakeholders
- 4 Priorities and strengths of German DC in the partner country
- 5 Risks and challenges

## Phases of implementation

1 Initiation and design



2 Data collection in Germany



3 Field phase



and other methods.

4 Reporting



## Outputs

CPRs support the regional divisions

CPRs generate

strategic recommendations

& options

for the country portfolio.

CPRs support organizational learning



overarching findings

to improve bilateral DC.

# ZUSAMMENFASSUNG

## Hintergrund und Ziele

### *Agenda 2030 stellt neue Ansprüche an die internationale Entwicklungszusammenarbeit*

Die internationale Entwicklungszusammenarbeit (EZ) wird immer wieder dafür kritisiert, dass ihre Wirksamkeit beschränkt sei und sie somit kaum nachhaltige Entwicklung befördere. Unbestritten ist, dass vor allem defizitäre politische und institutionelle Rahmenbedingungen in den Partnerländern sowie ineffiziente Strukturen und Prozesse der internationalen Zusammenarbeit eine höhere Wirksamkeit der EZ verhindern. Die Institutionen der Partnerländer werden insbesondere durch die zunehmende Fragmentierung der EZ herausgefordert. Immer mehr Akteure sind in der EZ aktiv und in immer mehr Projekten tätig. Statt sich zu ergänzen, sind in einigen Partnerländern viele Geber in denselben Sektoren aktiv, was zu einem erhöhten Koordinationsaufwand für die Partnerregierungen führt.

Auch die Arbeitsstrukturen der Geber stehen oftmals einer wirksameren EZ entgegen: Bestehende Projekte und Programme werden aus politischen Gründen oder Eigeninteresse der Durchführungsorganisationen (DOs) fortgeschrieben, statt auf veränderte Kontextfaktoren zu reagieren. Entsprechend werden Entscheidungen nicht immer evidenzbasiert getroffen. Diese Herausforderungen verhindern oft, dass Entwicklungszusammenarbeit kohärent und wirksam auf die aktuellen Entwicklungsbedarfe in einem Partnerland eingeht und Regierungen in den Partnerländern Eigenverantwortung für gemeinsame Entwicklungsprojekte übernehmen.

Seit 2015 stellt die Agenda 2030 einen Orientierungsrahmen für die internationale Zusammenarbeit dar und soll für diese handlungsleitend sein. Mit ihr hat sich die internationale Gemeinschaft auf ein neues Entwicklungsverständnis und 17 Ziele für nachhaltige Entwicklung geeinigt. Sie betont die Ausrichtung der internationalen Zusammenarbeit an Prioritäten und Bedarfen der Partnerländer. Die Agenda zielt darauf ab, Entwicklungsherausforderungen holistisch zu betrachten und Wechselwirkungen zwischen den sozialen, wirtschaftlichen und ökologischen Dimensionen von Entwicklung stärker zu berücksichtigen, als dies bisher der Fall war.

Um vor diesem Hintergrund die Relevanz und letztendlich auch die Wirksamkeit der bilateralen EZ sicherzustellen, bedarf es übergeordneter Weichenstellungen auf verschiedenen Ebenen. Dies betrifft die Fokussierung der bilateralen EZ insgesamt (Makroebene), die strategische Ausrichtung und Kohärenz auf Länderebene (Mesoebene) sowie die Planung und Steuerung auf Programm- und Projektebene (Mikroebene).

### *Das BMZ hat auf diese neuen Ansprüche an die internationale EZ reagiert*

Ganz in diesem Sinne hat das Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) in den letzten Jahren strukturelle Veränderungsprozesse für die strategische Planung und Steuerung seiner bilateralen Entwicklungszusammenarbeit in die Wege geleitet. Neben Anstrengungen des BMZ auf der Makroebene zur Fokussierung der bilateralen EZ werden vermehrt Veränderungen auf der Mesoebene umgesetzt. Anstatt den Fokus auf kleinteilige Einzelprogramme zu legen, sollen integrierte Gesamtkonzepte auf Länderebene in den Mittelpunkt der Portfoliosteuerung gerückt werden, wie auch das 2018 vorgelegte BMZ-Strategiepapier „Entwicklungspolitik 2030“ hervorhebt.

Die Veränderungen auf der Mesoebene entsprechen dem Entwicklungsverständnis der Agenda 2030: Sei es die kohärente Ausgestaltung der Länderportfolios, der Fokus auf übergeordnete Entwicklungsbedarfe und Trends im Partnerland, die Anbindung an aktuelle Reformdynamiken und Regierungsprioritäten oder die Berücksichtigung der Wechselwirkungen zwischen den sozialen, ökologischen und wirtschaftlichen Dimensionen von Entwicklung – notwendige Steuerungsentscheidungen können nicht auf Ebene einzelner Projekte, sondern nur auf der Portfolioebene vorgenommen werden. Entsprechend strebt das BMZ bereits seit 2012 an, über Länderstrategien (LS) die Kohärenz der Länderportfolios zu stärken.

Durch die Gemeinsame Verfahrensreform wird seit 2018 der Dreiklang aus LS, Programmen und Modulen für eine nachhaltige Entwicklung im Sinne der Agenda 2030 in den Partnerländern befördert. Länderstrategien sind dabei das wesentliche Instrument zur strategischen Planung und Steuerung der bilateralen EZ auf der Länderebene. Sie setzen verbindliche und strategische Vorgaben und begründen, warum sich die deutsche EZ in dem jeweiligen Kooperationsland in bestimmten Schwerpunkten und Handlungsfeldern langfristig engagiert.

### *Herausforderungen auf Ebene der Länderportfolios bleiben bestehen*

Mit den beschriebenen Anpassungen wurden die Steuerungsstrukturen des BMZ gestärkt. Dennoch steht das wirkungsorientierte Management weiterhin vor Herausforderungen, wie bereits im Prüfbericht des Development Assistance Committee der Organisation für wirtschaftliche Zusammenarbeit und Entwicklung (OECD-DAC) zu Deutschland 2015 festgestellt wird. Hier wird besonders betont, dass es der deutschen bilateralen EZ an der notwendigen Evidenz fehle, um ihre allgemeine Relevanz und Wirksamkeit in einem Partnerland zu beurteilen. In der Konsequenz besteht die Gefahr, dass nicht die Evidenz, sondern andere Gründe, wie Überlegungen hinsichtlich der Fortführung bereits laufender Programme, die strategischen Portfolioentscheidungen über Gebühr beeinflussen (OECD, 2015).

Das BMZ hat auf diese Herausforderungen reagiert und Schritte in die Wege geleitet, um die evidenzbasierte strategische Portfoliosteuerung der bilateralen EZ zu stärken. So wurde bereits 2016 damit begonnen, die vorherrschenden Evidenzlücken zu analysieren, und die Entwicklung entsprechender Analyseinstrumente initiiert.

### *DEval unterstützt die strategische Portfoliosteuerung des BMZ*

Das Deutsche Evaluierungsinstitut der Entwicklungszusammenarbeit (DEval) hat das Ziel, einen Beitrag zur Steigerung der Wirksamkeit der deutschen Entwicklungszusammenarbeit zu leisten. In diesem Sinne hat es das BMZ dabei unterstützt, seine wirkungsorientierte Portfoliosteuerung zu stärken. Ziel von DEval war es, aufbauend auf den Vorarbeiten des BMZ, Evidenzlücken, die die strategische Portfoliosteuerung negativ beeinflussen, zu identifizieren. Daran anschließend sollte ein geeignetes Analyseinstrument entwickelt werden, das die bestehende Evidenzlücke auf Portfolioebene im BMZ langfristig und flächendeckend schließt.

### *Schlussfolgerung und strategische Empfehlungen an das BMZ*

Vor dem Hintergrund der sich verändernden Anforderungen an die bilaterale Entwicklungszusammenarbeit hat das BMZ die Prozesse zur strategischen Planung und Steuerung auf Portfolioebene gestärkt. Trotzdem besteht weiterhin eine Evidenzlücke, die eine Herausforderung für die strategische Steuerung der Länderportfolios darstellt. Ob das Portfolio insgesamt sinnvoll ausgerichtet ist, die vereinbarten Schwerpunkte noch die richtigen sind, wie die einzelnen Module und Programme ineinandergreifen und ob über das Gesamtportfolio beziehungsweise die Schwerpunkte systemische und nachhaltige Veränderungen angestoßen werden konnten – über diese Fragen gibt es nur wenig Evidenz auf der Portfolioebene.

Wie im nachfolgenden Bericht gezeigt wird, kann ein Instrument zur strategischen Portfolioanalyse den Strategiebildungsprozess und die strategische Steuerung des BMZ auf Länderebene sinnvoll unterstützen. Zum einen unterstützt ein solches Instrument die Regionalreferate bei der Erstellung der für die Steuerung wichtigen Länderstrategien, indem es eine unabhängige Bewertung des Länderportfolios vor dem Hintergrund zukünftiger Bedarfe im Partnerland vornimmt. So kann es dem BMZ dabei helfen, seinen internationalen Verpflichtungen im Hinblick auf die Agenda 2030 stärker gerecht zu werden. Zum anderen können strategische Länderportfolioanalysen eine wichtige Informationsgrundlage für übergeordnete strategische Fragestellungen des BMZ darstellen, indem strukturelle Herausforderungen der deutschen bilateralen EZ herausgearbeitet und analysiert werden.



**1. Strategische Empfehlung:** Die Bestrebungen des BMZ, ein strategisches Analyseinstrument auf Portfolioebene einzuführen, sind zu begrüßen. Das Instrument sollte fest im Steuerungssystem der bilateralen EZ verankert werden und zwei Funktionen erfüllen. Es sollte A) zur Schließung der Informationslücke auf Portfolioebene beitragen und so die strategische Steuerung der bilateralen EZ auf Ebene der Regionalreferate stärken; und B) Erkenntnisse generieren, die die Verbesserung der übergeordneten Vorgaben und Prozesse der bilateralen EZ unterstützen.

Um die beschriebenen Funktionen zu erfüllen, sollten die Analysen möglichst flächendeckend und regelmäßig in allen Partnerländern durchgeführt und die Informationen rechtzeitig zur Ausarbeitung der Länderstrategie in die strategische Steuerung der staatlichen bilateralen EZ eingespeist werden. Dabei bedarf es einer detaillierten Bewertung der Relevanz der deutschen bilateralen EZ vor dem Hintergrund globaler Verpflichtungen wie der Agenda 2030 sowie der Erarbeitung evidenzbasierter Optionen zur strategischen Ausrichtung des Portfolios.

Der Vergleich mit verschiedenen Instrumententypen für eine solche Länderportfolioanalyse, zum Beispiel mit Länderprogrammevaluierungen, hat deutlich gemacht, dass Länderportfolioreviews (LPRs) das geeignete Analyseinstrument darstellen. Aufgrund ihres schlanken, zukunftsgerichteten und auf die Fortschreibung oder Neuausrichtung von Länderstrategien fokussierten Charakters sowie des Schwerpunkts auf übergeordnete Relevanz und Steuerungsaspekte erfüllen Länderportfolioreviews viele der beschriebenen Ansprüche.

**2. Strategische Empfehlung:** Zur Unterstützung der Portfoliosteuerung und Länderstrategieerstellung sollte das BMZ Länderportfolioreviews als strategisches Analyseinstrument einführen.

Das DEval hat ein entsprechendes LPR-Instrument entwickelt. Dem ging ein intensiver Entwicklungs- und Erprobungsprozess voraus. Das Instrument wurde so aufgebaut, dass es sowohl passgenau auf die Bedarfe der deutschen bilateralen EZ zugeschnitten ist als auch die Einhaltung grundlegender Evaluierungsstandards und Lernerfahrungen anderer Geber bei der Durchführung von LPRs sicherstellt. Gleichzeitig wurde bei der Entwicklung deutlich, dass es durchaus noch Bereiche gibt, in denen das Instrument weiterentwickelt werden sollte. Insbesondere vor dem Hintergrund zukünftiger Veränderungen im System der bilateralen EZ sollte die Weiterentwicklung des Instruments daher auch zukünftig ein Bestandteil der Durchführung von LPRs bleiben.

**3. Strategische Empfehlung:** Die Umsetzung von LPRs sollte entsprechend den erarbeiteten Verfahrensleitlinien erfolgen. Um die Qualität der LPRs weiter zu erhöhen und Veränderungen im deutschen EZ-System zu berücksichtigen, sollte das Instrument kontinuierlich auf seine Nützlichkeit überprüft und weiterentwickelt werden.

Die Evidenzlücken auf Portfolioebene sind kein länderspezifisches Phänomen, sondern treten in den meisten Partnerländern der deutschen bilateralen EZ auf. Die Ausgestaltung des Reflexionsprozesses zur Erstellung beziehungsweise Überarbeitung der LS unterscheidet sich zudem stark zwischen den Regionalreferaten. Folglich unterscheidet sich auch die Qualität der zugrunde gelegten Evidenz. Um sicherzustellen, dass alle LS auf der Basis einer unabhängigen und robusten Informationsgrundlage erarbeitet werden, sollten Länderportfolioreviews langfristig als verbindliches Element im Reflexionsprozess verankert werden. Nur so ist es außerdem möglich, im Sinne des organisationalen Lernens ein möglichst repräsentatives Bild der Stärken und Herausforderungen der deutschen bilateralen EZ zu erzeugen.

**4. Strategische Empfehlung:** Um den Mehrwert von LPRs für die strategische Steuerung der bilateralen EZ in allen Partnerländern sicherzustellen, sollte das BMZ LPRs langfristig als verbindliches Element in der Reflexionsphase zur Erstellung der Länderstrategien aufnehmen. Dabei sollte das BMZ über die eindeutige Festlegung von Zuständigkeiten innerhalb des Ministeriums gewährleisten, dass die Ergebnisse sowohl auf Länderebene zur Steuerung der Portfolios als auch auf übergeordneter Ebene für die Beantwortung strategischer Fragestellungen genutzt werden.

Die angemessene institutionelle Verankerung des LPR-Instruments ist eine wichtige Grundvoraussetzung für dessen qualitativ hochwertige Durchführung. Dies erfordert neben der langfristigen Verankerung von LPRs in den Prozess der LS-Erstellung ebenso den Aufbau einer kontinuierlich für die LPRs verantwortlichen Einheit. Bisherige nationale und internationale Erfahrungen mit der Durchführung von LPR-ähnlichen Formaten haben deutlich gemacht, dass LPRs in der Lage sein müssen, unabhängige Ergebnisse zu produzieren und darüber transparent zu berichten. Dies kann insbesondere dadurch sichergestellt werden, dass die LPR-Einheit organisational unabhängig und vom operativen Geschäft getrennt ist.

Die Schaffung einer unabhängigen LPR-Einheit im BMZ wäre prinzipiell möglich, würde aber erhebliche administrative Herausforderungen mit sich bringen und mit höherem BMZ-internen Ressourcenaufwand einhergehen als die externe Verankerung. Für eine externe Verankerung spricht außerdem, dass so der langfristige Aufbau von LPR-Expertise einfacher umgesetzt und die Unabhängigkeit leichter gewährleistet werden könnten.

**5. Strategische Empfehlung:** Das BMZ sollte die Durchführung des LPR-Instruments so verankern, dass dessen Unabhängigkeit und Qualität sichergestellt sind. Es wird empfohlen, das Mandat zur Durchführung der LPRs für eine Testphase an eine unabhängige externe Organisation zu übertragen. Gestaltet sich diese Testphase erfolgreich, sollte eine langfristige Verankerung in einer externen Organisation angestrebt werden.

LPRs bearbeiten wichtige Fragen der Strategiebildung. Dabei setzen sie den Fokus auf Aspekte der Relevanz- und Kohärenzbewertung. Damit liefern LPRs wertvolle unabhängige Informationen zur strategischen Portfoliosteuerung.

So deutlich der Mehrwert von LPRs für das deutsche EZ-System auch ist, werden die Grenzen dieses Instruments gleichfalls deutlich. Im Entwicklungsprozess zeigte sich, dass LPRs als strategisches Analyseinstrument auf Länderportfolioebene nur einen Teil der Informationsbedarfe abdecken können, die das BMZ für eine moderne und wirkungsorientierte Portfoliosteuerung benötigt.

Zwar diskutieren LPRs das Wirkpotenzial der Länderportfolios, also inwiefern das Zustandekommen nachhaltiger, systemischer Wirkungen als plausibel eingeschätzt wird. Evidenzbasierte Aussagen über Effektivität, Wirksamkeit oder Nachhaltigkeit auf Programm- oder Projektebene können durch LPRs aber nicht getroffen werden. Dies ist vor allem in der fehlenden Verfügbarkeit entsprechender Sekundärdaten begründet. Eigene Datenerhebungen zur Wirkungsmessung sind im Rahmen von LPRs nicht möglich. Fragen zu Effektivität, Wirkungen, Nachhaltigkeit und Effizienz einzelner Programme oder gar Module/Projekte können nur beantwortet werden, wenn qualitativ hochwertige Evaluierungen auf Programm-beziehungsweise Projektebene vorliegen. BMZ, DOs und DEval haben bereits punktuell Erfahrungen mit Review- beziehungsweise Evaluierungsansätzen auf Schwerpunkt- oder Programmebene gesammelt. Ein standardisiertes Vorgehen existiert derzeit allerdings nicht.

**6. Strategische Empfehlung:** Das BMZ sollte weiterhin die systematische Einführung von Evaluierungen auf Programm- beziehungsweise Schwerpunktebene prüfen. Dabei kann auf bestehenden Überlegungen und Erfahrungen von BMZ, DOs und DEval aufgebaut werden. Die Evaluierungen sollten nach Möglichkeit Effektivität, Wirkungen, Nachhaltigkeit und Effizienz von Programmen bewerten. Idealerweise werden sie zeitlich so durchgeführt, dass sie als Informationsgrundlage für LPRs und damit die Erstellung der Länderstrategien genutzt werden können. Analog zum LPR-Instrument scheint hierfür die Ausarbeitung eines Instruments für Programm- beziehungsweise Schwerpunktevaluierungen sinnvoll.

## Länderportfolioreviews auf einen Blick

Mit der Verankerung eines Instruments für die Durchführung von Länderportfolioreviews würde das BMZ ein zusätzliches Instrument für eine effizientere und modernere strategische Portfoliosteuerung einführen. Die nachfolgende Grafik stellt die Kernaspekte des entwickelten Instruments für Länderportfolioreviews dar.

# LÄNDERPORTFOLIOREVIEWS

Auf einen Blick



## Ziel und Gegenstand von LPRs

LPRs unterstützen die **Regionalreferate des BMZ** bei der Erstellung der Länderstrategien



und analysieren **systematisch und unabhängig** die **staatliche bilaterale EZ**.



## LPRs beantworten die Frage

**Tut die deutsche EZ im Partnerland (noch) das Richtige?**



## und legen folgende Kriterien zugrunde:

- 1 Entwicklungsbedarfe im Partnerland
- 2 Reformdynamiken und Regierungsprioritäten
- 3 Koordination und Zusammenarbeit mit anderen Akteuren
- 4 Prioritäten und Stärken der deutschen EZ im Partnerland
- 5 Risiken und Herausforderungen

## Phasen der Umsetzung



## Ergebnisse

### LPRs unterstützen die **Regionalreferate**

LPRs generieren

**strategische Empfehlungen**

**& Optionen**

für das Länderportfolio.

### LPRs unterstützen das **organisationale Lernen**



**übergreifende Erkenntnisse**

zur Verbesserung der bilateralen EZ.



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# ABBREVIATIONS AND ACRONYMS

ADA	Austrian Development Agency
ADB	Asian Development Bank
ADR	Assessment of Development Results
BGR	German Federal Institute for Geosciences and Natural Resources
BMF	German Federal Ministry of Finance
BMU	German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
BMWi	German Federal Ministry for Economic Affairs and Energy
BMZ	German Federal Ministry for Economic Cooperation and Development
BTI	Transformation Index of the Bertelsmann Foundation
C & RSE/R	Country & Regional Strategy Evaluation/Review
CAPE	Country Assistance Program Evaluation
CCPE	Cluster Country Program Evaluation
CDCS	Country Development Cooperation Strategy
CE	Country Evaluation
CIDA	Canadian International Development Agency
CLR	Completion and Learning Review
CPE	Country Portfolio Evaluation
CPF	Country Programme Framework
CPR	Country Portfolio Review
CPRD	Country Poverty Reduction Diagnostic
CPSFR	Country Partnership Strategy Final Review
CS	Country Strategy
CSIR	Country Strategy Internal Review
CSPE	Country Strategy and Programme Evaluation
DAC	Development Assistance Committee
Danida	Danish International Development Agency
DC	Development Cooperation
DEC	Development Experience Clearinghouse
DEval	German Institute for Development Evaluation
DFID	Department for International Development
EU	European Union
FC	Financial Cooperation
FDI	Foreign Direct Investment
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GOV	Governance
GVR	Joint Procedural Reform (of the BMZ)
ICPE	Independent Country Programme Evaluation
IEG	Independent Evaluation Group (of the World Bank)
IGD	Inclusive Growth Diagnostic Analysis

JCAP	JICA Country Analysis Paper
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
MCST	Mid-course stocktaking
Norad	Norwegian Agency for Development Cooperation
NGO	Non-governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PA	Priority Area
PLR	Performance and Learning Review
PTB	Physikalisch-Technische Bundesanstalt (Germany's National Metrology Institute)
RG	Reference Group
RTE	Real Time Evaluation
SCD	Systematic Country Diagnostic
SDC	Swiss Agency for Development and Cooperation
SED	Sustainable Economic Development
Sida	Swedish International Development Cooperation Agency
SPR	Strategy Level Portfolio Review
TC	Technical Cooperation
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
WB	World Bank



# 1. INTRODUCTION

## The 2030 Agenda is making new demands on international cooperation

International development cooperation is frequently criticised for being of limited effectiveness, and therefore doing little to actually promote sustainable development. Various possible reasons for this have been suggested (Bermeo, 2017; Doucouliagos and Paldam, 2009; Easterly, 2012; Herzer and Nunnenkamp, 2012; Sachs, 2005). What remains undisputed is that shortcomings in policy and institutional frameworks in partner countries, and inefficient structures and processes in international cooperation, prevent development cooperation from being more effective (Bigsten and Tengstam, 2015).

Furthermore, partner country institutions face the challenges created by the growing fragmentation of development cooperation. More and more stakeholders are getting involved in development cooperation and playing an active role in more and more projects.<sup>1</sup> Despite some innovations designed to boost the impact and sustainability of development cooperation, the increase in project-based approaches (as opposed to multi-donor programme-based approaches) continues to add to the existing fragmentation (OECD, 2017). In most partner countries of development cooperation many donors operate in the same sectors instead of complementing each other, which makes the task of coordination more complex for partner governments and reduces the use of synergies. Moreover, each actor uses their own procedures and pursues their own interests. All this makes coordination and harmonisation between bi- and multilateral donors, and especially between partner governments and donors, more difficult. This despite that fact that coordination and harmonisation are so key to achieving results (see inter alia Acharya et al., 2006; Klingebiel et al., 2016).

In many cases, donors' working structures also act as a constraint on more effective development cooperation. Existing projects and programmes are continued for political reasons or due to the self-interest of implementing organisations, rather than in response to changing contextual factors. This means that the decisions taken on strategic allocations are not always evidence-based (Bohnet et al., 2018). These challenges often prevent development cooperation from responding coherently and effectively to current development needs in a partner country, and prevent governments in partner countries from assuming ownership of joint development projects.

Since 2015 the 2030 Agenda has provided a guiding framework for action by international cooperation. Through it the international community has agreed on a new understanding of development as well as 17 Sustainable Development Goals (SDGs). It emphasises the alignment of international cooperation with partner country priorities and needs. The Agenda aims to achieve a holistic perspective on development challenges. It also envisages that international cooperation will take greater account of the interactions between the social, economic and environmental dimensions of development than hitherto. And it recommends closer cooperation between different actors (government, private sector and civil society), because individual actors cannot solve global problems alone.

Against this background, ensuring the relevance and ultimately also the impact of bilateral development cooperation will require strategic steps to be taken on various levels. This will involve focusing bilateral development cooperation as a whole (macro level), ensuring strategic alignment and coherence at country level (meso-level), and enhancing planning and management at programme and project level (micro level).

<sup>1</sup> Between 1960 and 2006 the average number of donors in a country rose from 3 to 30. The number of projects also increased sharply. Although between 1997 and 2006 the average volume of funding fell from around 2.5 million to 1.7 million US dollars, the total number of donor-funded projects nevertheless climbed from 20,000 to more than 70,000 (Ashoff, 2015, p. 24).

## The BMZ has responded to these new demands on international development cooperation

With this very much in mind, over the last few years the German Federal Ministry for Economic Cooperation and Development (BMZ) has launched processes of structural change for the strategic planning and management of its bilateral development cooperation. Alongside efforts made by the BMZ at the macro level to focus bilateral development cooperation, an increasing number of changes are being implemented at the meso-level. As also emphasised by the strategy paper *Entwicklungspolitik 2030* ['Development Policy in 2030' – currently only available in German] published by the BMZ in 2018, rather than pursuing a compartmentalised focus on individual programmes, it is envisaged that portfolio management will focus more on integrated and holistic country-level approaches.

These changes at the meso-level reflect the understanding of development inherent in the 2030 Agenda. Needed management decisions cannot be taken at the level of individual projects – they must be taken at portfolio level. This is always the case, regardless of whether the decisions in question concern designing country portfolios coherently, focusing on macro-level development needs and trends in the partner country, responding to current reform momentum and government priorities, or including interactions between the social, environmental and economic dimensions of development.

Accordingly, the BMZ has been seeking to strengthen the coherence of country portfolios through country strategies every since 2012. Since the BMZ's Joint Procedural Reform (GVR) in 2018, German development cooperation has been promoting an approach comprising a country strategy in conjunction with country programmes and modules to promote sustainable development in partner countries as envisaged by the 2030 Agenda. Here, country strategies are the key instrument for strategic planning and management of bilateral development cooperation at country level. They provide binding and strategic directives, and explain why German development cooperation is committed in the long term to specific priority areas and fields of action (Doc.1).

## Challenges remain at the level of country portfolios

The described adjustments at meso-level create a basic enabling environment for strengthening the BMZ's management structures. Nonetheless, as noted in the peer review of Germany published by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) in 2015, results-based management continues to face challenges. As well as structural challenges, such as the fixed allocation of resources for Financial Cooperation (FC) and Technical Cooperation (TC), one fundamental challenge does emerge (OECD, 2015): German bilateral development cooperation lacks the systematic evidence it needs to evaluate its general relevance and impact in a partner country. In other words it lacks the evidence on which to gauge whether the agreed priority areas are still the right ones, whether the programmes are appropriately interlinked and whether the priorities of the German and partner governments are being appropriately reflected in the portfolio.

Hence there is a risk that, rather than evidence, other considerations such as whether ongoing programmes will be continued (path-dependency) may be unduly influencing strategic decision-making at portfolio level (OECD, 2015). The weaknesses in results-based management described by the OECD thus also directly affect strategic portfolio management.

The BMZ has responded to these challenges and taken steps to strengthen the evidence-based strategic portfolio management of bilateral development cooperation. In 2016, work to analyse the prevailing evidence gaps and to initiate the development of corresponding analytical tools was commenced.

## DEval supports the BMZ's strategic portfolio management

The German Institute for Development Evaluation (DEval) aims to help make German development cooperation more effective. This is why DEval supported the BMZ in strengthening its results-based portfolio management and in generating the evidence necessary for this at portfolio level.

It did so by addressing, in cooperation with the Ministry, the question of how the BMZ can strengthen its strategic portfolio management. Building on the BMZ's existing groundwork, DEval set out to identify the evidence gaps adversely affecting strategic portfolio management. In a second step, it aimed to develop an



appropriate analytical tool that can help close the existing evidence gap at portfolio level within the BMZ on a long-term basis and for all partner countries.

This report presents the results of that work. It also formulates recommendations to the BMZ on how the tool developed can be integrated into the management of Germany's bilateral development cooperation portfolio.

### **Structure of the report and target groups**

This report was written for decision-makers at the BMZ, as well as other German development cooperation actors dealing with portfolio management issues. It is also a contribution to the international debate on introducing and developing tools for strategic analysis at country portfolio level.

Chapter 2 describes what information the BMZ requires at the level of strategic portfolio management. It also identifies where evidence gaps exist and what tools might be used to close them. This is followed in Chapter 3 by a detailed description of the methodological approach to developing such a tool.

In Chapter 4 the report explains how other bi- and multilateral donors close evidence gaps at portfolio level, and what tools they use to do so. Following that, Chapter 5 shows how a tool would need to be designed in order to support the BMZ in its tasks of managing German bilateral development cooperation.

Based on these findings Chapter 6 then presents the tool developed for conducting country portfolio reviews (CPRs) at the BMZ. Finally, Chapter 7 presents recommendations for introducing CPRs, along with some critical reflections on the tool presented. A more detailed set of procedural guidelines for conducting CPRs can be found in the online annex.

## 2. THE EVIDENCE GAP AT PORTFOLIO LEVEL

Chapter 2 looks at evidence gaps that create challenges for the BMZ's strategic management of bilateral development cooperation. It also considers which analytical tools can help meet the relevant information requirements.

## 2.1 Challenge for strategic portfolio management

**To support the strategic management of German bilateral development cooperation in individual partner countries, a number of helpful information mechanisms have been established. These also provide a basis for elaborating country strategies.** The BMZ is the responsible ministry entrusted with political control of Germany's official bilateral development cooperation. Responsibility for implementation is separate from this. It rests with four governmental implementing organisations that implement Germany's activities in partner countries<sup>2</sup>. The implementing organisations submit various report formats to the BMZ.

These reports are based on the implementing organisations' monitoring and implementation systems (M&E systems). Over the last few years these systems have been continuously refined. For example, obligatory results matrices have been defined. Similarly, binding objectives and indicators have been defined at the country strategy and programme levels. All these changes were key to a stronger results orientation at the BMZ and the implementing organisations (OECD, 2015, p. 77).

Furthermore, other information mechanisms have been established independently of the implementing organisations which the BMZ can use as a source of information for portfolio management. Here we should emphasise the brief politico-economic analysis, the list of criteria and the <sup>3</sup> country reports for the annual crisis early warning review<sup>4</sup>. The BMZ can also use development reports, evaluations and analyses produced by the German embassies, partner governments and other donors.

**Despite the information systems that exist there is a clear evidence gap at the level of country portfolios. This presents a challenge for strategic portfolio management.** It is true that the extent of the evidence gap may vary from country to country. On the whole, though, the information available at portfolio level is usually very limited when assessing relevance, effectiveness, efficiency, impact and sustainability. In other words, this affects the assessment of all the DAC evaluation criteria. The situation is similar with regard to other issues of strategic management, such as portfolio coherence and complementarity. At the portfolio level there is often only little evidence available on: whether the portfolio as a whole is oriented appropriately; whether the agreed priority areas are still the right ones; how the individual modules and programmes are interlinked, and whether the portfolio as a whole and the priority areas have succeeded in prompting systemic and sustainable change. This structural challenge is rooted in the current M&E systems of the BMZ and the implementing organisations.

- **The BMZ obtains most of its information for strategic bilateral portfolio management from the implementing organisations' M&E systems. However, these permit barely any conclusions concerning strategic relevance and impact at portfolio level.** This is first of all because the implementing organisations' M&E systems focus on the project level. Although reporting does take place at the level of individual programmes, evaluations are only rarely conducted at this level. There is no provision for reports or evaluations at portfolio level. This is not part of the implementing organisations' current mandate. As a result, the evidence gap grows larger as we move from project to portfolio level. Secondly, reports reflect the implementing organisations' perspective. This can lead to challenges if the implementing organisations do not look critically enough at their own work, or if the

<sup>2</sup> These are: the Federal Institute for Geosciences and Natural Resources (BGR), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Kreditanstalt für Wiederaufbau (KfW) and the Physikalisch-Technische Bundesanstalt (Germany's National Metrology Institute – PTB).

<sup>3</sup> In spring 2019 the list of criteria will be superseded by the governance compass.

<sup>4</sup> Brief politico-economic analyses and crisis early warning reviews are produced by the German Institute of Global and Area Studies (GIGA). In the case studies the added value of the brief politico-economic analyses in particular emerged. These analyses provide a sound and critical perspective on the political economy of the countries concerned.

information they communicate is driven by their own interests. Given the relationship between the BMZ as commissioning party, and the implementing organisations as its service providers, the phenomenon known as the principal-agent dilemma presents a challenge here. This not least because there is room for improvement in the quality and comprehensibility of the implementing organisations' evaluations and reports, as a meta-evaluation conducted by DEval confirms (Noltze et al., 2018)<sup>5</sup>.

- **To date, no comprehensive mechanism exists within the BMZ for systematically aggregating and assessing the various information sources, or conducting independent data surveys and analyses at portfolio level.** Given the limited human resources and the large number of responsibilities in the regional divisions, the number of information sources is rather likely to lead to the division concerned being overstretched. As a result, at portfolio level the information designed to support the BMZ with strategic portfolio management is often very limited.

**Lessons learned on how to improve the overarching directives and processes of bilateral development cooperation could be collated more systematically.** At present, the BMZ has only limited capacity to determine across all partner countries how successful it is in supporting these partners with implementing their development priorities. It is thus very difficult to bring to light those challenges that are not country-specific, but are rather rooted in the directives and processes of German bilateral development cooperation. This in turn makes it more difficult to generate lessons learned concerning for instance how to improve the directives for implementing development cooperation interventions, or how to enhance coordination processes between the bilateral development cooperation actors. One reason for this is the lack of data available at portfolio level. Secondly, the BMZ lacks a system for aggregation and aggregate analysis of experiences across partner countries that would help generate cross-country lessons learned for bilateral development cooperation as a whole. A system of this kind would allow the BMZ to use lessons learned from individual country portfolios to further refine the directives and processes for bilateral development cooperation as a whole.

#### Box 1: Implications of the evidence gap for strategic portfolio management

**The information gap identified at portfolio level can have a negative effect on strategic portfolio management by the regional divisions.** At the same time the scope for systematically generating lessons learned for further refining the general directives and processes of bilateral development cooperation is reduced. As anticipated by the BMZ, in order to better meet the Ministry's information needs in the future it seems appropriate to conduct strategic analyses at portfolio level. These analyses should be conducted regularly and across all partner countries. The information generated should then be fed into the strategic management process. The analyses should draw on the sources of information already available, flexibly close the specific information gaps in the partner country concerned and ensure independent assessment.

Bearing in mind the 2030 Agenda and the changing demands on bilateral development cooperation, these strategic analyses should be used to bring to light needed changes and adjustments. To achieve this it will first of all be necessary to assess in detail the relevance of German bilateral development cooperation in the partner country, and elaborate future options for designing the country portfolio. At the same time the analyses should be designed to support the systematic generation of lessons learned for German bilateral development cooperation, and thus the further refinement of directives and processes. To meet these requirements, a tool for conducting strategic analyses at portfolio level is required that is firmly institutionalised within the BMZ's system for managing bilateral development cooperation.

**Strategic recommendation 1:** The BMZ's efforts to introduce a tool for strategic analysis at the portfolio level are to be welcomed. The tool should be firmly institutionalised within the management system for bilateral development cooperation, and perform two roles. It should A) help close the information gap at portfolio level, and by doing so strengthen the strategic management of bilateral development

<sup>5</sup> Only one third of the 513 GIZ and KfW evaluation reports included in the meta-evaluation evidently base their conclusions on sufficient data. Furthermore, only one third of the evaluations studied used the existing monitoring systems.

cooperation at the level of the regional divisions; and B) generate findings that will help improve the overarching directives and processes of bilateral development cooperation.

## 2.2 Tool for strategic portfolio analysis – The country portfolio review

Other bilateral donors are making increasing use of strategic portfolio analysis in order to broaden the range of possible and appropriate portfolio management options. Until a few years ago, it was mainly multilateral donors that used portfolio analyses. Today, bilateral donors are also increasingly using these analyses systematically for strategic management. The analyses are used to deliver the basic rationale for strategic adjustments. These include for instance exiting a sector or a partner country, establishing a new portfolio component, or increasing or reducing budgets. With a time frame of between 3 and 18 months, and average costs of between 80,000 and 500,000 euros, the scope of such analyses varies considerably from donor to donor<sup>6</sup>. The table in Annex 9.1 provides an overview of donors using such analyses.

Regarding the function of strategic analyses at portfolio level, we can break them down into roughly two categories: country portfolio evaluations (CPEs) and country portfolio reviews (CPRs)<sup>7</sup>. This distinction is not absolute, however, as shown by the analysis of various multilateral and bilateral approaches<sup>8</sup>. CPEs and CPRs differ particularly with regard to their function. However, they may well overlap in terms of their focus, methodological design and other aspects of implementation. To date, no clear and unequivocal distinction between CPEs and CPRs has been defined.

To support the discussion of an appropriate tool for the strategic analysis of German bilateral development cooperation at portfolio level, we will now highlight differences between CPEs and CPRs<sup>9</sup>.

- a. **Analyses that resemble evaluations (referred to below as country portfolio evaluations).** CPEs usually set out to assess the portfolio of a donor in a country (or a region) retrospectively and over a long period (often between 5 and 10 years). In other words, they tend to resemble summative evaluations. CPEs tend to base their analysis on the DAC evaluation criteria (relevance, effectiveness, efficiency, impact and sustainability). They sometimes also look at other aspects such as coherence, coordination and complementarity, as well as the added value<sup>10</sup> delivered by the donor concerned. Further thematic issues such as reducing poverty and inequality may also be addressed. As well as evaluations at portfolio level, evaluations at programme level also exist. Although they have a similar focus to CPEs in terms of content they do not cover the entire portfolio. Instead they focus on one specific programme or thematic area. One example would be health promotion by the BMZ in Rwanda (Schwedersky et al., 2014).
- b. **Analyses that resemble reviews (referred to below as country portfolio reviews).** CPRs tend to be of a more formative nature. They are designed to support the realignment of country portfolios with changing general conditions. They should also inform and help significantly shape the updating or reorientation of country strategies for the future. CPRs focus strongly on relevance and strategic management issues. These include for instance coherence, coordination and complementarity at

<sup>6</sup> The average costs specified above refer to the donor analyses listed in the table in Annex **Fehler! Verweisquelle konnte nicht gefunden werden..**

<sup>7</sup> The total contributions made by a donor are often referred to as the country programme. Normally, however, this is not a 'programme' in the sense that the individual components are logically interlinked and combine to generate results. This is why we use the term 'portfolio' here rather than 'programme' (Dahlgren, 2007).

<sup>8</sup> This clearly emerged at a workshop on CPEs and CPRs conducted jointly by OECD-DAC EvalNet and DEval in Paris from 28 February to 1 March 2019. The workshop was attended by approximately 35 bilateral and multilateral donors.

<sup>9</sup> An examination of several strategic portfolio analysis tools used by various donors clearly demonstrates that there is no shared understanding of how the terms for these different types of strategic portfolio analysis are defined, or when they should be used. This was also confirmed by the discussion at the workshop on CPEs and CPRs. Portfolio analyses that are defined in this report as CPRs would currently be referred to CPEs in several other countries. A standard definition might help make things easier in the future when addressing this topic at the international level.

<sup>10</sup> Donors usually use this term to refer to the comparative advantage that the donor in question has to offer over other donors. This might for instance include specific aspects such as special expertise in the vocational training sector.

portfolio level. They also in some cases review aspects of implementation, in a similar way to progress reviews. By contrast, they do not systematically cover issues of effectiveness, efficiency, impact or sustainability. Due to their narrower focus CPRs are usually less extensive than CPEs. Accordingly, the time frame is usually shorter and the average costs lower.

**The BMZ also possesses experience with conducting CPRs and CPEs. In recent years, however, it has conducted primarily CPRs.** So far, neither tool has been used across the board for all partner countries because CPRs and CPEs have been commissioned by the individual regional divisions at the BMZ selectively. In 2016, on the BMZ's behalf a set of methodological guidelines for country portfolio evaluations was developed and tested in three pilot countries (Bangladesh, Honduras and Uganda). As well as the DAC criteria, these evaluations also focused on the management of German development cooperation.

For both the practitioners applying the guidelines, and the evaluation division managing the process, implementing the guidelines proved arduous, complicated and labour-intensive. Ultimately this led to the tool not being permanently institutionalised within the system (Doc.2; Doc.3).

Over the last few years CPRs have been conducted frequently. These were commissioned ad hoc by individual regional divisions. In most cases the CPRs set out to review the strategic orientation of German development cooperation in the country concerned, and/or examine the existing portfolio with regard to a stronger focus within or across the existing priority areas. They then generated conclusions concerning needed adjustments or a reorientation of German development cooperation.

As the analysis of 13 reports conducted by the German Development Institute shows, the content and methodological design of these CPRs varies widely between the regional divisions of the BMZ (Doc.6). This is not surprising, as there are no standard guidelines for conducting CPRs. Similarly, the time frame for CPRs also varies. The aforementioned study specifies a time frame of between 5 months and 1 year. The costs also vary widely. A CPR in Pakistan, for instance, cost 80,000 euros. A CPR in Afghanistan cost 200,000 euros.

#### **Box 2: Implications for selecting a strategic portfolio management tool**

**To strengthen the strategic management of bilateral development cooperation by the regional divisions, and at the same time collect lessons learned for further refining overarching directives and processes of bilateral development cooperation, a strategic analytical tool should be selected that can meet the requirements described in Section 2.1.**

These analyses should be conducted regularly and across all partner countries. The information generated should then be fed into the strategic management process. This is the way to systematically close the described information gap in the management of individual country portfolios, and support the generation of general lessons learned. This presupposes that the tool is as lean and uncomplicated as possible and is firmly institutionalised in the management processes of bilateral development cooperation.

Adjustments entailed by the 2030 Agenda need to be made transparent for purposes of strategic management, particularly as regards designing the country strategy. To achieve this it will first of all be necessary to assess in detail the relevance, coherence and complementarity of German bilateral development cooperation in the partner country, and elaborate future options for designing the country portfolio. Country portfolio reviews are leaner than CPEs, oriented toward future portfolio management and focus on overarching relevance and management aspects. Therefore, CPRs would seem to meet more effectively than CPEs the more pressing information needs for strategic portfolio management. CPRs should be designed and institutionalised such as to enable the systematic generation of general lessons learned for German bilateral development cooperation. Accordingly, they should be institutionalised within a central body at the BMZ that is responsible for the overarching directives and processes of bilateral development cooperation.

Nonetheless, it is clear that CPRs can only be part of the solution. To further close the evidence gap and make strategic portfolio management more results-oriented in the future, more evidence on the other

DAC criteria is also required. The use of appropriate analytical tools, such as CPEs or programme evaluations, should therefore be considered.

**Strategic recommendation 2:** To support portfolio management and country strategy development, the BMZ should introduce country portfolio reviews as a tool for strategic analysis.

According to the recommendation, the focus should be on developing a tool for conducting country portfolio reviews. As described above, given their nature CPRs can cover only part of the information that the BMZ requires for modern and results-based portfolio management. CPRs are not a suitable tool for supplying evidence-based findings on effectiveness, impact or sustainability at portfolio, programme or project level. As we continue our analysis we will therefore also highlight the limitations of CPRs. And we will develop proposals as to how information needs that cannot be covered by CPRs might be met in the future.

### 3. METHODOLOGICAL APPROACH



As described in Chapter 2, over the last few years individual regional divisions at the BMZ have conducted CPRs. So far, however, basic standards or directives for this have not been developed. Other donors have made more progress in this respect. They already have tools of their own for conducting strategic portfolio analyses at country level. The approaches differ widely between the donors, however, as they are each tailored to the individual needs of the respective donor.

Since no blueprint for conducting country portfolio analyses exists at the international level either, the design of these various tools was in most cases preceded by an intensive process of development and testing. Similarly, it was necessary to also develop a specific analytical tool for the German context that was tailored to the needs of German bilateral development cooperation and would support the BMZ in closing the existing evidence gap at portfolio level.

For this purpose, DEval developed a CPR tool for the BMZ. The process lasted from September 2017 to December 2018. This tool includes the questions, the data collection and analysis methods, and the procedures and implementation processes needed to supply the evidence required and feed it into the strategic portfolio management process. We also drew up recommendations for institutionalising the analytical tool. Finally we highlighted the limitations of CPRs and developed proposals as to how information needs that cannot be covered by CPRs might be met in the future.

### 3.1 Steps in the development process

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To obtain an analytical tool that matches the BMZ's needs we developed, reviewed and adjusted the tool in a multi-phase consultative process with the Ministry. For this purpose DEval had established a reference group (RG) when the project was launched. The group comprised staff members of the BMZ's policy and regional divisions.<sup>11</sup> The RG was available to advise the DEval team throughout the development process, and was involved in all phases at various points (see Figure 1:).

**Phase 1: Developing the basics of the tool.** The first phase set out to define the basic analytical framework for CPRs and the methodological approach. It focused on the following points:

- specifying and prioritising the questions to be addressed in order to close specific evidence gaps at portfolio level
- defining the breadth and depth of the portfolio analysis, taking into account links with other development actors
- developing appropriate methods for data collection and analysis
- reflecting on institutionalising CPRs in the country strategy development process

In consultation with the BMZ we began by developing key questions for the tool, based on which we drew up a semi-standardised list of questions. We then developed data collection and analysis methods, and implementation processes. We did so on the basis of our desk study, as well as interviews on national and international lessons learned. We developed the data collection and analysis tools with reference to the concrete example of German development cooperation with Kenya.

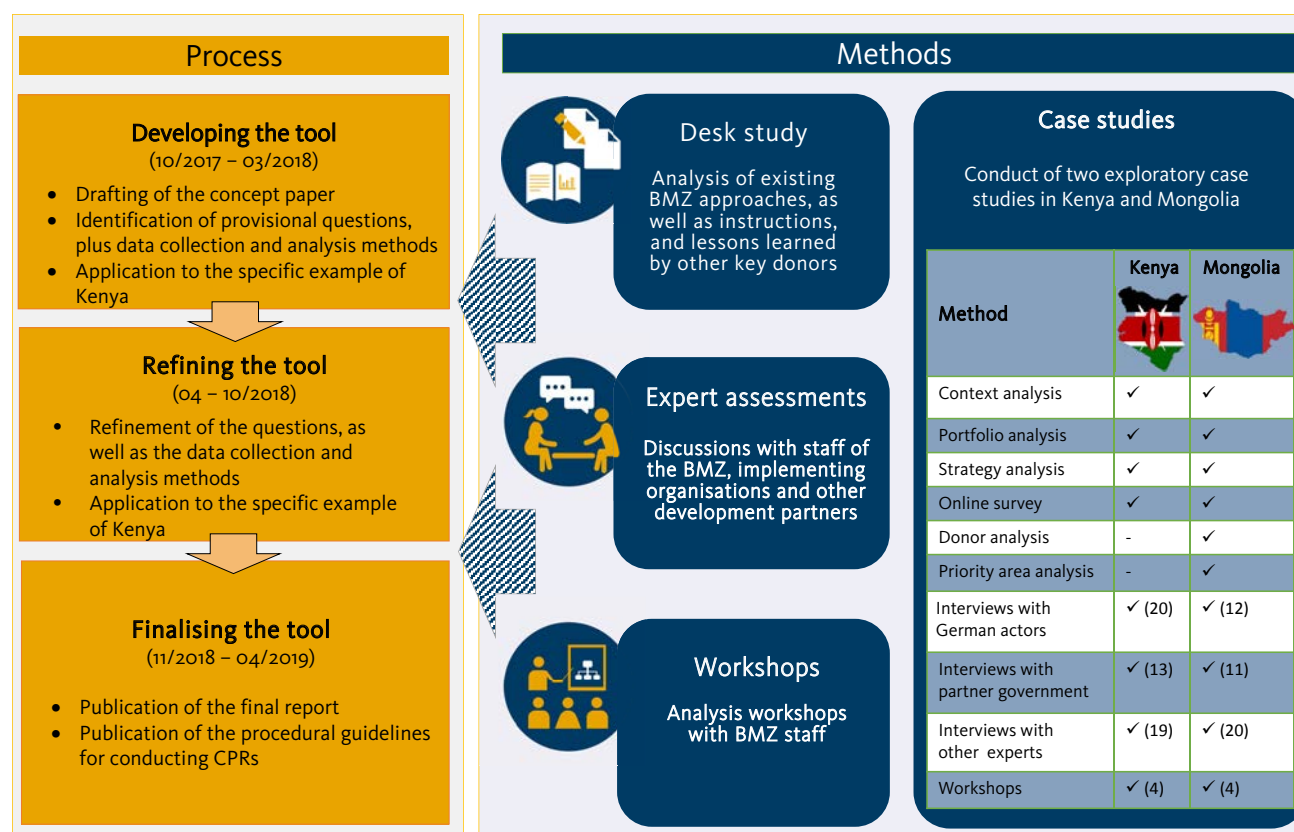
**Phase 2: Refining and adjusting the tool.** To use the lessons learned from the first case example, our next step was to critically review and adjust the questions, methods and implementation processes. We also reflected on the extent to which the evidence provided by the CPR tool for strategic management by the regional division was seen as useful. For this purpose we held assessment workshops with external experts, members of the reference group and the responsible regional division in order to discuss experiences with practical implementation in Kenya. Based on these experiences, we for instance optimised the approach to

<sup>11</sup> It included representatives of the key stakeholders for developing the tool, i.e. the following BMZ divisions: policy issues of bilateral development cooperation, emerging economies; evaluation and development research; Africa policy and initiatives; 2030 Agenda for Sustainable Development; reducing poverty and inequality; political analysis and planning.

quantitative portfolio analysis and introduced a new priority area analysis. We further developed the tool within the framework of a second exploratory case study in Mongolia.

**Phase 3: Finalising the tool and reporting.** We held further assessment workshops with the members of the reference group, interested regional divisions and external experts. We used these workshops to reflect on and assess the lessons learned from the two case studies from different perspectives<sup>12</sup>. In particular, we discussed tensions and limitations of the CPR tool. We then finalised the list of questions, data collection and analysis methods, and implementation processes for the tool, and edited the material for reporting.

**Figure 1: The development process and methodological approach**



Source: authors' own figure.

### 3.2 Methods for developing the tool

We used four basic methods, and continuously fed the results they generated into all phases of the development process.

- In order to learn from German and international experiences we conducted a comprehensive desk study. This allowed us to perform a structured assessment of the tools for strategic portfolio analysis used to date. Here we were able to draw on intensive groundwork performed by the German Development Institute (Doc.6)<sup>13</sup>. We also analysed more precisely the structures and procedures of the German development cooperation system in order to better understand how to integrate the tool into the system and take appropriate account of its existing specific features.

<sup>12</sup> We produced case study reports on the two case studies, and submitted these to the respective reference groups.

<sup>13</sup> As part of an advisory project to improve support for the review of BMZ country portfolios, the German Development Institute was commissioned by the BMZ to conduct an internal assessment of German and international approaches to strategic analysis at portfolio level. We are grateful for the findings kindly supplied to DEval, which helped us develop the tool.

- We compared our theoretical findings from the desk study with the practical experiences and assessments of staff of the BMZ, the implementing organisations, external experts and other donors. This involved primarily (semi-)structured one-on-one interviews. Furthermore, the team was also able to build on experience it had already gained in early 2017 in a priority area review in Nepal<sup>14</sup>.
- Conducting two case studies of portfolios selected on the basis of specific criteria was a key element in the development process. This enables us to ensure that the tool was fit for purpose, and to assess which questions can be answered through CPRs.<sup>15</sup> The exploratory case study in Kenya enabled us to identify data sources and test various data collection methods and workshop formats. In the second case study we further refined methods and processes that had proved successful in the first case study, and tested them under different conditions. We also tried out some new elements, such as an in-depth priority area analysis and new workshop formats. At the same time we used the second case study to test the feasibility of the tool using fewer human resources, in a way that was as efficient as possible while continuing to ensure high quality.  
The case studies each included among other things a context analysis, a portfolio analysis, an on-line survey of the implementing organisations, 50 to 60 interviews, a 2-week field phase and various workshops. Finally we completed a case study report for each study, and discussed these with the actors involved. The responsible regional divisions and economic cooperation and development officers were continuously involved in the process of preparing, implementing and assessing the case studies.
- To ensure that the tool was needs-oriented we conducted three development workshops across the entire process. These enabled us to reflect jointly with the future users (policy divisions, lead regional divisions, regional divisions), and obtain feedback for further refining the tool.

All steps in the development process underwent both an internal and an external quality assurance process.<sup>16</sup>

Through the case studies we tested and refined the tool in two different country contexts (see Table 1): Further testing in various other contexts is envisaged. We anticipate that applying the tool in specific contexts, for instance in fragile countries, for regional strategies or for reform partnerships, will require extensive adjustments. We therefore expect that when CPRs are initially conducted, the tool will need to undergo an accompanying process of adjustment and enhancement.

<sup>14</sup> In the first six months of 2017 members of the CPR team conducted a review of the priority area 'sustainable economic development' in Nepal. This meant that knowledge was gained early on concerning analyses at priority area level, which are an important part of CPRs. It was also possible to gain highly relevant experience with the implementation of such reviews.

<sup>15</sup> The country portfolio case studies were selected from the population of all BMZ partner countries on the basis of specific criteria. One criterion laid down for both case study countries was that the regional divisions were in the process of (further) developing the strategy for the respective country when the study was conducted. To ensure active participation in the development process, a further criterion was that the regional divisions had indicated their interest in conducting a strategic analysis at portfolio level. We used additional criteria (such as portfolio size and security situation) to ensure that the two case studies together covered the widest possible range of different country-specific features. Based on these criteria, the Kenyan-German portfolio was selected for the first case study and the Mongolian-German portfolio was selected for the second.

<sup>16</sup> The internal quality assurance process ensured that both the tool developed and the case study reports produced complied with DEval's quality guidelines for evaluation. These include involving relevant stakeholders, assuring the quality of the information obtained and independent reporting. Across all phases of the development process the DEval team was also advised and supported by experts for developing and implementing tools for country portfolio review.

Table 1: Contextual differences between Kenya and Mongolia

Contextual information	Kenya	Mongolia
Size of portfolio	large bilateral portfolio (approx. 615 million euros), highly heterogeneous, numerous development cooperation activities implemented by other German federal ministries	small bilateral portfolio (approx. 120 million euros), barely any development cooperation activities implemented by other German federal ministries
Strategic relevance of the country for Germany	very high (with regard to development, economic and security policy)	medium (development policy)
Security situation	medium (elevated security risk, not a [post-]conflict country)	safe
Development status	lower-middle-income country	lower-middle-income country
Extent of anticipated strategic (re-)orientation from the BMZ's perspective	quite high (need to focus, prioritise and possibly reorient)	medium (orientation considered largely appropriate, need for orientation rather at sector level)

Source: authors' own table

## 4. INTERNATIONAL LESSONS LEARNED WHEN CONDUCTING COUNTRY PORTFOLIO REVIEWS

To develop the CPR tool we drew on the relevant lessons learned by other donors. The structure of tools for country portfolio reviews is usually based on four pillars, which we have used to structure this chapter. For each of these pillars we performed a desk study to identify typical features of other donors' implementation experiences.<sup>17</sup> The chapter begins by describing the function and purpose of CPRs, and discusses how they are integrated into strategic management processes. It then describes lessons learned with CPRs and their design. Finally, the chapter analyses the methodology of CPRs, and their management and implementation.

Based on background discussions with staff of donor organisations and further desk study, and working on the hypothesis that basic principles of development evaluation also apply to CPRs, we developed features that we considered particularly conducive to the quality of CPRs<sup>18</sup>. Based on that we formulated recommendations for the BMZ on further developing the CPR tool.

#### 4.1 Function of CPRs and integrating them into the strategic management process

**CPRs aim primarily to supply country units with evidence and future-oriented options for producing country strategies. They also allow use of the findings obtained for organisational learning.** CPRs focus on assessing relevance and answering strategic management questions at the level of the country portfolio. They are designed to inform the updating or reorientation of country strategies for the future. The main target group of CPRs is usually organisational units responsible for strategic management and decision-making, as well as operational management. These units are often based in partner countries (e.g. in the case of Sida [Swedish International Development Cooperation Agency], Danida [Danish International Development Agency], SDC [Swiss Agency for Development and Cooperation] or the World Bank [WB]); in some cases the portfolio is also strategically managed from the donors' home countries (e.g. BMZ, Australian Aid, CIDA [Canadian International Development Agency]). Furthermore, some organisations now increasingly expect such analytical tools to deliver strategic benefits beyond the individual country portfolios.

Cross-country analysis is designed to help generate lessons learned for portfolio management and the design of future country strategies. It also aims to stimulate discussion of best practices and systemic challenges at the level of the organisation as a whole. By creating the Development Experience Clearing-house, USAID for instance has established an institution-wide solution. Here, all organisational units are required to make available their strategically relevant information and lessons learned, including portfolio reviews, which can then be accessed by all actors. Other donors (e.g. Danida, Department for International Development [DFID], Europe Aid, Australian Aid, Finland, Sida, World Bank) seek to generate strategic findings by comparative analysis of several CPRs or CPEs<sup>19</sup>.

While the added value of such cross-cutting analyses for organisational learning is recognised by many donors, it is also clear that donors have so far rarely succeeded in making exhaustive use of this potential. This is often explained by the organisational environment and the lack of, for instance, an evidence-based management culture or an evaluation system geared toward organisational learning (Bossuyt et al., 2014; OECD, 2016; Reinertsen et al., 2017; The World Bank, 2017). Staff of various donor organisations have also

<sup>17</sup> Although the tools differ mainly in terms of their function, this distinction is by no means absolute. Accordingly, wherever possible we made use of international lessons learned with both CPRs and CPEs.

<sup>18</sup> It is true that in this report it was not possible to study empirically whether and to what extent these features of CPRs actually affect their quality and use. Nonetheless, talks we held on the use of CPRs with numerous staff members of other donor organisations (Sida, SDC, ADA [Austrian Development Agency], World Bank, Australian AID, JICA [Japan International Cooperation Agency], the Netherlands), and systematic desk study on the lessons learned with CPRs by further donors (e.g. USAID, Belgium, Norway, Finland, OECD), do clearly support the assumptions described in the report.

<sup>19</sup> Examples of this include the comparative study on the use of EuropeAid's strategic evaluations for development policy and practice (Bossuyt et al., 2014), Finland's analysis of the contribution made by CPRs to programme impact (Fölscher et al., 2016), the lessons learned from Swedish development cooperation's exit from Sri Lanka, Viet Nam and Laos (McGillivray et al., 2012), the analysis of lessons learned by Denmark in Bolivia, Mozambique, Nepal and Viet Nam (Webster et al., 2018) or the independent comparative study of country engagement performed by the World Bank Group (The World Bank, 2017).

emphasised that a clear and logical rationale for CPRs is fundamentally important. This assertion is based on the assumption that the stakeholders involved must be clear in their own minds regarding the objectives of the CPR right from the start. Only then, so it is assumed, will they be able to generate the joint understanding and ownership required for successful implementation of a CPR.

**To perform these roles, the tools used by donors to review country portfolios are usually integrated into standardised procedures for developing and reviewing country strategies. This means they are firmly institutionalised in the strategic management processes.** CPRs are often used at the end of the phase or during the process of country strategy development; sometimes (e.g. Denmark, Sweden, WB) they are performed as mid-term reviews. Some donors (e.g. USA, Australia and Japan) even use simplified CPRs as part of the annual cycle. The practical lessons learned by other donors suggest that obtaining knowledge from a CPR generates the maximum benefit when it is synchronised with, or rather precedes, the process of strategic organisational decision-making.

## 4.2 The scope and focus of CPRs

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**The CPRs of bilateral donors usually focus on official bilateral development cooperation.** Some donors (e.g. Sida, SDC) also include non-governmental development cooperation. Multilateral development cooperation with activities in the target country, even though funded by bilateral donors, is not normally the subject of such reviews. However, where multilateral activities are relevant to the respective bilateral portfolio these are in some cases included. This is the case for instance with multilaterally funded thematic programmes that focus on a particular partner country as part of global initiatives (e.g. SDC, CIDA, Finland). Similarly, activities of other ministries not responsible for development cooperation usually do not fall within the scope of CPRs.

From the process perspective, however, clearly it can be important to include other ministries and non-governmental actors in the strategic analysis, depending on their engagement and specific expertise. The underlying assumption here is that this will promote learning effects on all sides and that participation will create trust. Even so, this does not mean that recommendations of the CPRs are also incumbent upon these other organisations and institutions<sup>20</sup>.

Background discussions with staff of donor organisations indicated that a clear definition of the scope is important in order to define the subject of the analysis from the outset. At the same time we can assume that a certain flexibility in broadening the scope, and the inclusion of other actors, may reinforce learning effects.

<sup>20</sup> Canada is making particular efforts to establish coherence through its new Integrated Country Framework. This framework encompasses the bilateral objectives of international development, diplomacy, trade and security cooperation (OECD, 2018).

**Many CPRs address similar questions and topics.** The key questions addressed by the various donors usually look at similar topics that also apply in the German context, and that are addressed by many of the BMZ's CPRs:

1. **Development needs and trends in the partner country:** current and future social, economic and environmental challenges in the partner country
2. **Momentum for reform and government priorities:** current reform efforts of the partner government in the context of current strategies, such as the 2030 Agenda
3. **Donor strategies:** current strategic adjustments and directives of the donor for implementing bilateral development cooperation
4. **Cooperation with the partner government, civil society and other donors:** coordination and cooperation with other donors, cooperation with the partner government and use of partner systems, involvement of new reform actors from civil society and the private sector
5. **Potential and challenges of the portfolio:** potential, strengths, challenges and risks of the current portfolio in the partner country.

To make their tool workable and ensure that the most important issues are addressed, some donors have drawn up their own standard key questions and lists of questions that are addressed routinely in CPRs (e.g. SDC, ADA, USAID). At the same time, background discussions with staff of donor organisations clearly show that directives which are too rigid, as well as insufficient alignment of the questions with the affected stakeholders in the run-up to the review, may be detrimental. It is therefore appropriate to design the questions flexibly and ensure a process of close consultation prior to the review.

CPRs generate information at the level of the portfolio as a whole. They focus above all on overarching relevance and management issues. At the same time, however, in-depth information is often required at priority area/programme level, as is information on the effectiveness, impact and sustainability of the development cooperation activities. Many donors report a particular need for impact analysis in specific priority areas, and for the development of detailed options for individual programmes. CPRs cannot meet these needs because they pursue overarching objectives, and because they strongly rely on existing monitoring and evaluation systems that often lack the required sophistication. To meet these information requirements at priority area level, some donors also conduct specific programme evaluations (e.g. DFID, Norad [Norwegian Agency for Development Cooperation]).

### 4.3 Methodology

**To ensure efficiency and manage costs most donors rely on analyses of secondary data and interviews with key persons as key methodological approaches.** Some donors (e.g. SDS, ADA, WB IEG [Independent Evaluation Group], UNDP [United Nations Development Programme]) have developed standardised guidelines or methodological directives for this purpose. All donors conduct an in-depth analysis of secondary data. Here, most donors (e.g. Sida, DFID, ADA, Norad, SDC, USAID) perform systematic analyses of existing evidence generated by their own M&E systems. This is why many experts emphasise the quality of M&E systems as a key factor for the quality of CPRs. Furthermore, CPRs are often supplemented by separate studies to analyse the country context. The World Bank, for instance, goes to particular lengths with its upstream Systematic Country Diagnostics (SCDs). The array of concurrent country context analyses points to considerable potential for improved coordination between donors operating in the same partner country.

The secondary data are usually supplemented with interviews and workshops with key persons. As well as staff members of donor organisations and/or implementing organisations, this usually involves staff members of partner ministries. At the same time, some donors (e.g. Sida, SDC, CIDA) rely more heavily on involving civil society stakeholders and organisations representing the interests of disadvantaged groups. Depending on the composition of the portfolio, private-sector actors, academics or the media are also approached to provide information. Due to the time and resources that would be required, CPR teams are often not able to perform extensive data collection activities on the ground; where this does occur it is usually confined to field visits of 1-2 weeks (Dahlgren, 2007; DEZA, 2016; Reynolds et al., 2016; UNFPA, 2016).



Regardless of the methods selected, staff of donor organisations emphasise the importance of quality, transparency and plausibility for later use of the findings. If review findings do not display the desired quality or if analytical processes and findings are not easy to understand, a CPR is hardly likely to be recognised as a relevant decision-making tool. This can be the case when inappropriate time pressure is generated or insufficient resources are allocated for CPRs. Or it may be the case when inexperienced review teams or teams unfamiliar with the context are selected, when the data available is insufficient, or when the explanation and presentation of the findings in the report is inadequate.

What is particularly crucial in determining how directly strategic portfolio decisions are based on CPRs, however, is the quality and relevance of the resulting recommendations (Bossuyt et al., 2014; Norad Evaluation Department, 2017). Background discussions with staff members of various donor organisations indicated that it is absolutely essential to meet these quality standards. This is key to ensuring that heads of division, desk officers and country directors use the CPR as a decision-making tool, particularly when the individuals concerned are experienced.

#### 4.4 Management and implementation

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**CPRs are commissioned and coordinated either by the country units or by a central body. They are often conducted by external consultants.** With some donors (e.g. Sida, Australian Aid, UNFPA [United Nations Population Fund], WB), CPEs/CPRs are designed as a decentralised tool; with others (e.g. SDC, ADA, CIDA) they are commissioned and managed by a unit at head office.

CPRs should be capable of producing findings that support constructive criticism, and reporting independently and transparently on those findings. To guarantee this, corresponding mechanisms and standards are required. In many cases (e.g. SDC, DFID, Sida, Ministry for Foreign Affairs of Finland), such standards are ensured by a central body. CPRs are usually conducted by independent external consultants. Some organisations (such as the World Bank) on the other hand operate with internal review teams comprised of members of the country teams, sector departments and cross-cutting areas. SDC strikes a balance between the two. It operates with hybrid teams comprising independent external consultants and internal SDC peers from country or sector divisions (DEZA, 2016). When planning, managing and implementing CPRs, donors involve other officials. Depending on the organisational structure, this means staff members from the donor's head office in its own country, and/or officials from the country office/embassy.

Most donors attach outstanding importance to alignment with partner government needs. Some donors also involve partner governments in the actual CPR process itself. The depth of this involvement varies. While some donors (e.g. Australian Aid, CIDA, WB) inform the partner government or share review findings with it, others (e.g. the EU [European Union], ADB [Asian Development Bank], SDC, Sida) also conduct the review process together with the partner government as a joint CPR. Many donors take the view that the most participatory procedure possible will increase ownership among the actors involved. At the same time many interviewees point to the challenges associated for instance with coordinating such participatory activity.

## 4.5 Recommendations for designing the tool

### Box 3: Implications of the practical lessons learned by other donors when designing a CPR tool for German development cooperation

The practical lessons learned by other donors enable us to formulate recommendations that DEval should use when designing the CPR tool.

- The basis for successful implementation of CPRs is the definition of clear objectives to be pursued through the analysis. To deliver the maximum strategic benefit for official bilateral development cooperation, the tool should be designed both to supply the responsible regional divisions with the evidence they need for strategic management, and to generate information for refining overarching directives and processes of bilateral development cooperation.
- To be of maximum benefit for target groups at the BMZ, CPRs should be synchronised with the relevant procedures for strategic portfolio management. To be more precise, CPRs should immediately precede country strategy development.
- To ensure clarity concerning the scope of the review, the tool should clearly define it. Obviously, the focus should be on official bilateral development cooperation. Nonetheless, planners should examine whether it makes sense to broaden the scope selectively, in order to promote coherence and generate learning effects.
- To ensure stakeholder ownership of the findings emerging from the CPR, the stakeholders should where possible be continuously involved in the CPR process on a participatory basis. As well as the staff of the BMZ regional divisions, this includes particularly other officials of the Ministry, the implementing organisations and the partner government.
- To ensure the quality, feasibility and comparability of CPRs the tool should specify mandatory questions. These should be developed in line with the general directives of official bilateral development cooperation, and the information requirements of the divisions managing the interventions. At the same time the questions should permit a certain flexibility for adaptation to the country-specific needs.
- To ensure that the analyses are based on robust and independent information, the methodological design of the tool should meet scientific standards and ensure multiple perspectives. The tool should also draw on the lessons learned by other donors. Beyond the selected methods, the tool should meet the requirements of quality, transparency and plausibility of data collection and reporting.
- To independently generate high-quality information, the BMZ will act as a central body assuring the consistent quality of findings.

## 5. DESIGNING A CPR TOOL FOR GERMAN DEVELOPMENT COOPERATION

The analyses of national and international lessons learned indicate that a CPR can be a helpful analysis tool to support the planning and management of German bilateral development cooperation. It can therefore also help increase the impact of bilateral development cooperation. To fulfil this purpose, however, CPRs must be incorporated into the existing structures of German bilateral development cooperation appropriately, and take its specific characteristics into account. Bearing this in mind, we will now discuss how the CPR tool should be designed in order to provide the BMZ with the best possible support for strategic portfolio management. In this context we will discuss how the recommendations developed in Chapter 4 can be operationalised in the German context. Furthermore, we will underline tensions and limitations that arise when introducing a CPR tool in the German development cooperation system.

In Germany, the importance of development cooperation has grown enormously over the last few years. The BMZ has extended and diversified its activities. Whereas the Ministry used to operate chiefly through official bilateral development cooperation, today it relies on an array of new approaches. Other German ministries have also stepped up their activities that are eligible as Official Development Assistance (ODA).

This chapter begins by identifying the position of the BMZ in relation to other German ministries operating in the broad field of development cooperation, and takes a bird's-eye view of the various forms of German development cooperation. It then analyses aspects of the management of bilateral development cooperation and draws conclusions for the tool. After that it deals with the organisational structure of the BMZ and draws conclusions concerning the institutionalisation of the tool at the BMZ.

## 5.1 The policy environment of bilateral development cooperation

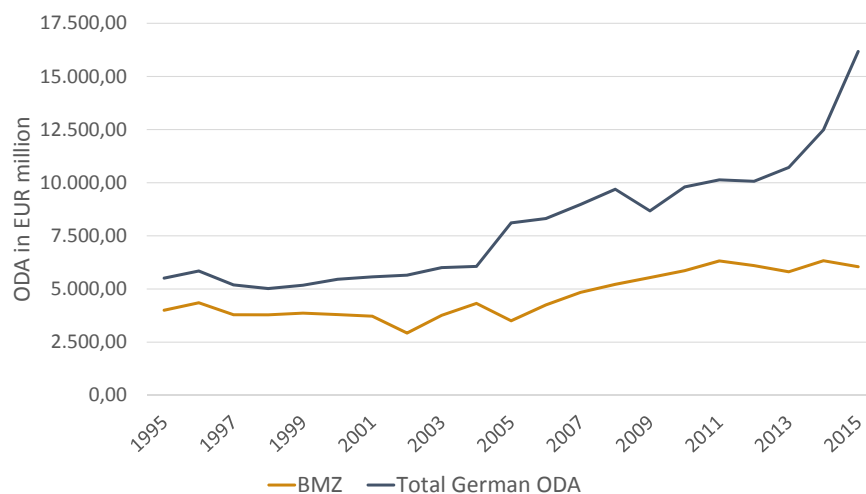
**With the BMZ, Germany – like only few other countries – has a dedicated ministry for development cooperation. Nonetheless, development cooperation in Germany is increasingly becoming an area of activity for various federal ministries<sup>21</sup>. This means that agreements between the federal ministries are becoming increasingly important for portfolio management in partner countries.**

In 2012 Germany's ODA-eligible flows more than doubled. In 2017 they amounted to 24.68 billion US dollars (BMZ, 2018b), the lion's share of which was accounted for by the BMZ.

The increase in Germany's ODA flows is also a sign of the fact that development cooperation is becoming more important overall in Germany. Internationally important issues such as globalisation, climate change and the refugee crisis have contributed to this. At the same time, other federal ministries are gaining importance in areas of development cooperation activity. This has led to a situation in which, although the BMZ still remains the ministry responsible for the largest share of Germany's total net ODA, its relative importance compared to the other federal ministries is declining: in 1995 it accounted for 73 per cent, whereas by 2016 the figure was just 33 per cent (Bohnet et al., 2018). This trend is also clearly shown in Figure 2.

The trend does not, however, automatically mean that the Ministry is losing importance. On the contrary, the BMZ's budget has risen continuously over the last few years: in 2017 it was 8.5 billion euros (BMF, 2017a; BMZ, 2018c).

<sup>21</sup> The governments of several of Germany's federal states also operate in the field of development cooperation. Their total share of German ODA is low, however; in 2016 it was 4.2 per cent (BMZ, 2018a).

**Figure 2: Trend in the BMZ's ODA flows and total German ODA**

Source: Bohnet et al., 2018

**Implications of the many active ministries when designing a CPR tool for German development cooperation.** First and foremost, CPRs should support the BMZ with the strategic management of bilateral development cooperation. Ideally, however, CPRs should be incorporated into the broader German policy-making system. This would appropriately reflect the importance of other ministries in federal policy and provide long-term support for the BMZ's strategic and inter-ministerial coordinating role in this policy field. CPRs should take into account the activities of all German federal ministries in partner countries, and supply information relevant to management for a coherent overall German portfolio. At the same time, such an extensive coordinating role is de facto barely feasible. This also carries a risk of overstretching the tool right from the outset.

Bearing this in mind, and in view of the fact that the tool should be designed above all to support the BMZ in managing bilateral development cooperation, from this point on we will focus on the activities of the BMZ. At the same time the CPR tool should support the Ministry in its strategic coordinating role in German development policy, and take into account the activities of the other federal ministries at least in those areas where the two meet. In the medium to long term, those responsible should establish to what extent the focus of the tool could and should be extended to include the activities of other ministries.

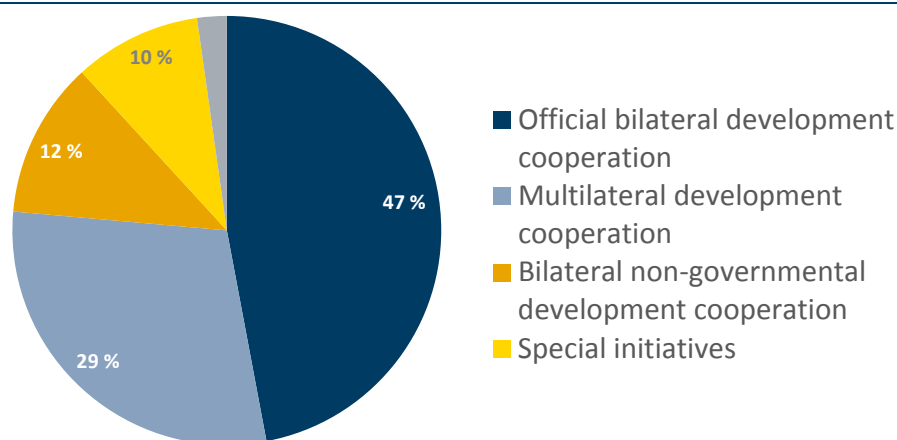
Ultimately a tension emerges between the aspiration of focusing on German development cooperation in its entirety (in line with the 2030 Agenda), and keeping the tool manageable. Here national and international lessons learned to date show that the tool should clearly define the scope of the review to ensure clarity from the start. Obviously, the focus should be on official bilateral development cooperation. Nonetheless, planners should examine whether it makes sense to broaden the scope selectively, in order to boost learning effects. To eliminate the aforementioned tension, one conceivable option would be to introduce an additional analytical tool such as a joint review by various federal ministries.

**When incorporating CPRs into the BMZ structures, it is important to remember that as well as official bilateral development cooperation, multilateral and non-governmental bilateral development cooperation should also be considered. Official bilateral development cooperation can also be subdivided into development cooperation 'in the narrow sense' and 'in the broad sense', which raises further questions for the scope of CPRs.**

The various forms of development cooperation are distinguished according to which actors implement them. The multilateral part of development cooperation is implemented through international organisations such as the United Nations, the European Commission or the World Bank, and accounts for approximately 30 per cent of the BMZ budget (BMF, 2017b). Non-governmental development cooperation is executed by various actors (such as non-governmental organisations [NGOs], church-based organisations, private-sector actors and foundations). By contrast, official development cooperation is

realised by organisations which are government-owned (see Figure 3). Official bilateral development cooperation usually forms the largest financial share of any given country portfolio.

**Figure 3: Projections for the BMZ budget in 2018**



Source: BMZ, 2018c

Official bilateral development cooperation can in turn be broken down into official bilateral development cooperation 'in the narrow sense' and 'in the broad sense'. The two forms are each managed by different divisions.

Official bilateral development cooperation 'in the narrow sense' is distinguished by the fact that it is based on agreements between Germany and its partner countries, and is laid down in contractual arrangements which are binding under international law.<sup>22</sup> It is commissioned and managed directly by the regional divisions of the BMZ as part of the bilateral portfolio management process, and forms the core of the country strategies.

Whereas official bilateral development cooperation 'in the narrow sense' is negotiated with the partner at government negotiations, official bilateral development cooperation 'in the broad sense' may also be implemented without this official agreement with the partner government. Official bilateral development cooperation 'in the broad sense' currently encompasses all interventions that are funded through special initiatives, as well as global, regional and sector programmes, and transitional development assistance. Although the country strategy reflects on these interventions and takes them into account, they are not planned and managed together with the bilateral portfolio 'in the narrow sense'.<sup>23</sup> Responsibility for planning and managing them rests with the respective sector division rather than the regional divisions.

Obviously, development cooperation 'in the broad sense' on the one hand gives the BMZ greater leeway because the Ministry can realise new ideas quickly and unbureaucratically, for instance through special initiatives. On the other hand, it makes coordinating the various interventions and initiatives more challenging. This is also confirmed by the case studies conducted in Kenya and Mongolia when developing the CPR tool, as well as by interviews held with staff members of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the BMZ.

Respondents working in the field, for instance, are often critical of the fact that when new bilateral interventions which are not managed directly by the regional divisions are introduced, prior coordination is inadequate. The directives appear to be inadequate, or the individuals involved in the field structures are not always aware of them.<sup>24</sup> As a result there is for instance a risk that projects of official bilateral

<sup>22</sup> The agreed contractual stipulations are negotiated between the governments. For this purpose, government negotiations are held (usually every two years) at which the focus and financial scope of future cooperation are negotiated.

<sup>23</sup> In exceptional cases, responsibility for managing projects funded for instance through special initiatives may rest with the regional division. According to this definition, these projects then fall within the portfolio of bilateral development cooperation 'in the narrow sense'.

<sup>24</sup> This is the case for instance regarding the coordination directives for special initiatives and global programmes.

development cooperation 'in the broad sense' do not always match the thematic or regional focus of official bilateral development cooperation 'in the narrow sense'. In such cases they contribute toward fragmentation of the portfolio, increase the risk of thematic duplications, and make it more difficult for the BMZ or the responsible regional divisions to manage the portfolio as a whole.

**Implications of the different approaches in bilateral development cooperation when designing a CPR tool.** In order to support strategic portfolio management by the BMZ, CPRs should make the official bilateral portfolio the centre of their interest. Here too, however, a precise focus would appear to make sense in order to ensure that introducing the analytical tool in the BMZ system is realistic and workable. Since bilateral development cooperation 'in the narrow sense' accounts for the largest share of the BMZ's work, and is at the heart of the country strategies, we recommend focusing on this segment, at least during the introductory phase of a CPR tool. To prevent duplication or conflict with development cooperation 'in the broad sense', steps should be taken to ensure that these interventions can also be taken into account flexibly by such a tool. The same thing applies to multilateral and non-governmental development cooperation. These should be taken into account where they are linked to bilateral development cooperation 'in the narrow sense'.

## 5.2 Political control, management and implementation of bilateral development cooperation

**Within the German Federal Government, the BMZ is the responsible ministry entrusted with political control of official bilateral development cooperation. The BMZ has, however, transferred responsibility for implementation to four governmental implementing organisations.**

In official German development cooperation, a distinction is drawn between Technical Cooperation (TC) and Financial Cooperation (FC). Bilateral FC and TC are the two largest items of expenditure in the BMZ budget. In 2017, expenditure on bilateral FC via the various financing instruments<sup>25</sup> was 2.2 billion euros. Bilateral TC accounted for expenditure of 1.3 billion euros (BMF, 2017b).

Responsibility for implementing Financial Cooperation rests with the Kreditanstalt für Wiederaufbau (KfW) Development Bank. Technical Cooperation is implemented primarily by the GIZ<sup>26</sup>. Technical Cooperation commissions are also executed by the Federal Institute for Geosciences and Natural Resources (BGR) and the *Physikalisch-Technische Bundesanstalt* (Germany's National Metrology Institute – PTB). Unlike the BMZ, the implementing organisations<sup>27</sup> – particularly the GIZ – maintain large numbers of staff in the partner countries<sup>28</sup>.

<sup>25</sup> The KfW distinguishes between various financial products in development cooperation: grants, standard loans (also known as budget fund loans), promotional loans and development loans. In all these cases the German Government is the commissioning party, though not all financial products are part of official development cooperation.

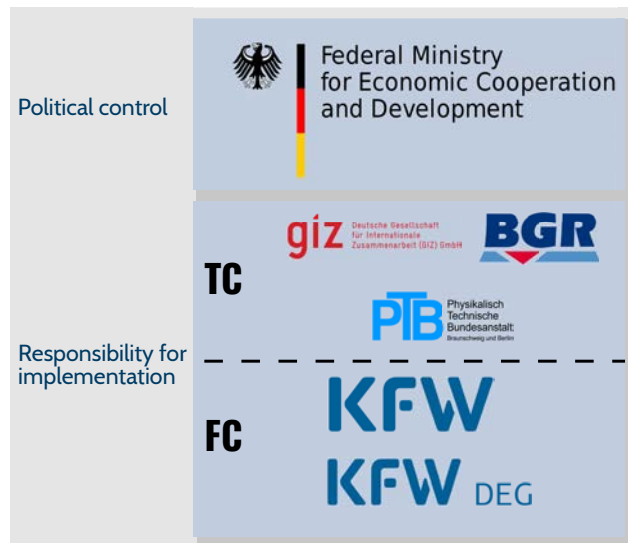
<sup>26</sup> The GIZ emerged from the three predecessor organisations GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit), DED (German Development Service) and InWEnt (Capacity Building International, Germany), which until 2011 covered different areas of TC.

<sup>27</sup> The PTB and BGR are federal authorities (both fall within the business area of the Federal Ministry for Economic Affairs and Energy). The GIZ and KfW are business enterprises, both owned by the German Government. In 2016 the GIZ's business volume was around 2.4 billion euros. In 2016 the KfW received just under 1.9 billion euros from the federal budget, and raised around a further 5.1 billion euros on the capital market (referred to as the KfW's own funds). By way of comparison, in 2017 the BMZ's budget was 8.5 billion euros. Both the GIZ and KfW Development Bank implement commissions chiefly for the BMZ. However, both enterprises also implement commissions for other German federal ministries as well as other clients including multilateral organisations such as the United Nations and its organisations and agencies.

<sup>28</sup> By way of comparison, in 2017 the GIZ employed a workforce of almost 20,000, some 70 per cent of whom were based in 120 partner countries. The KfW Development Bank also has field offices in almost 70 countries; it employs a workforce of almost 6,000. The BMZ has a staff of around 1,000 in Germany.



**Figure 4: Responsibilities for the political control and implementation of German bilateral development cooperation**



Source: authors' own graphic

**Implications of the separation between responsibility for political control and responsibility for implementation in German bilateral development cooperation when designing a CPR tool.** As the actor responsible for political control, the BMZ should be the main addressee of CPRs. Accordingly, it should play a lead role in their planning, management and implementation. To ensure ownership of the findings emerging from the analysis among all CPR stakeholders, the tool should be designed such that stakeholders are continuously involved in the CPR process wherever possible. As well as the staff of the BMZ regional divisions, this includes particularly other officials of the Ministry, the implementing organisations and the partner government.

Implementing organisations are important knowledge holders, and as such should be involved in CPRs. Furthermore, the implementing organisations also play an important role in implementing the country portfolios. As such they should also be able to play an active role at key points in CPRs, for instance in formulating initial assessments of the existing portfolio, and in the discussion that takes place toward the end of a CPR concerning options for adjusting the portfolio. Here it is important to remember that the implementing organisations on the one hand possess greater technical/sectoral knowledge than the BMZ. On the other hand, they may have an organisation-specific vested interest in the continuation of existing projects and programmes (the principal-agent phenomenon). Accordingly, the implementing organisations should be involved in ways that take into account the principal-agent phenomenon and counteract any path-dependency of the portfolio.

**Responsibility for managing bilateral development cooperation 'in the narrow sense' rests with the regional divisions at the BMZ. When managing the portfolio they are supported by economic cooperation and development officers at the embassies in the partner countries.**

Each country portfolio is managed by a regional division/the responsible country officer at the Ministry, whose responsibilities also include ensuring that the portfolio is soundly managed in line with the budget. By contrast, as the commissioning party the BMZ is involved in implementing the portfolio only to a limited extent. Priority areas and interventions of cooperation are discussed and agreed with the cooperation partner through government consultations and negotiations, which are led on the German side by the BMZ.

These country officers are based in Germany. Since constraints on financial resources for travel activity limit their opportunities for on-site visits, the officers oversee the portfolios largely through the regular reports submitted by Germany's missions abroad and the implementing organisations. The BMZ is also supported



by over 100 economic cooperation and development officers<sup>29</sup> who are employed at German embassies in the partner countries and permanent missions to international organisations. Although the economic cooperation and development officers are assigned by the BMZ, they report to Germany's missions and therefore to the Federal Foreign Office.

Analysis of the case studies and interviews clearly shows that economic cooperation and development officers are key knowledge holders, and often provide crucial support to BMZ staff members in both portfolio management and sector policy dialogue. At the same time, their institutional affiliation with the Federal Foreign Office entails complex work structures and coordination processes. This is because communication and information transfer between the ministries is strictly controlled and in some cases involves intricate processes. To some extent this constrains the efficiency of cooperation (Meyer et al., 2016, S. 120; OECD, 2015, p. 18).

**Implications of the division of labour between country officers and economic cooperation and development officers when designing a CPR tool.** CPRs should – at least in the initial phase – focus on bilateral development cooperation 'in the narrow sense'. This is planned and managed by the country officers, hence the regional divisions/country officers are the main addressees of CPRs. Consequently, the questions addressed by CPRs should be based primarily on the information needs of the country officers. This picks up on the recommendation made in Chapter 4, to the effect that the tool should be designed with a view to the basic directives of official bilateral development cooperation and in line with the information requirements of the divisions managing the interventions. Given the growing importance of bilateral development cooperation 'in the broad sense', planners should also consider to what extent responsible sector divisions should be involved more extensively in the CPR process on a country-specific basis.

Economic cooperation and development officers form the interface between the political decision-makers at the BMZ, and the practical implementation of development cooperation in partner countries. Given their important role in the management of bilateral development cooperation and in serving as a link between the BMZ and the Federal Foreign Office, they should be actively involved in the CPR process, from the design of the tool through to the commentary on the report.

**The procedures for controlling and managing German bilateral development cooperation have been adjusted in a procedural reform process. The adjustments made have yet to be fully operationalised across all regional divisions. Country strategies and programmes are among the regional divisions' key management instruments for planning and political control.**

To strengthen control by the BMZ, procedures and structures were adjusted through the joint procedural reform (GVR) that came into force on 1 January 2018. Ever since 2012, and to an increasing extent since the joint procedural reform, country strategies have been gaining importance. They are the key instrument for the strategic planning and political control of German bilateral development cooperation (Doc.1)<sup>30</sup>. The country strategies are designed to set the policy framework of the portfolio, and thus to provide a rationale for its content; they are supposed to be revised every six years. Country strategies should ensure alignment with the BMZ's strategic directives, and are the key instrument for political and strategic control at country level.

The country strategies must be operationalised through the respective country portfolios. These should comprise up to three thematic priority areas plus space for interventions outside the priority areas<sup>31</sup>. Each

<sup>29</sup> The economic cooperation and development officers currently represent the BMZ in 38 partner countries and five multilateral organisations (BMZ, 2017).

<sup>30</sup> Country strategies are produced for all partner countries with a bilateral country programme (so-called 'A countries'), and for partner countries where cooperation has a regional or thematic focus (so-called 'B countries') that are of major development policy importance (Doc.1).

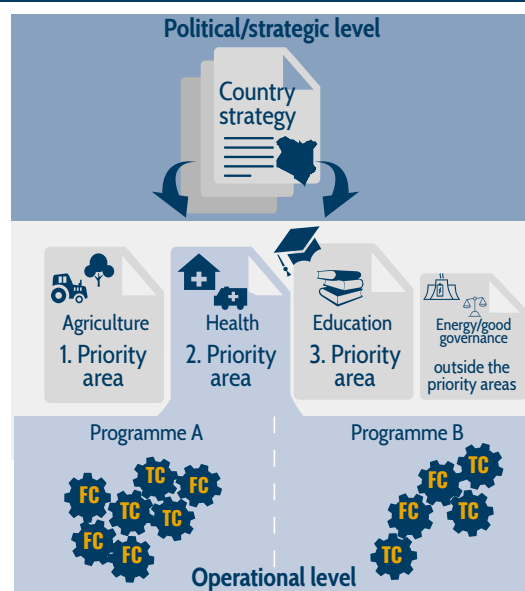
<sup>31</sup> In this space, projects and programmes can be implemented that cannot be assigned to any of the priority areas, and that are of a temporary nature. The BMZ internal guideline has the following to say about this: 'To maintain the needed flexibility with regard to acute policy needs, a space outside of the three priority areas may be included. The volume of pledges for such projects should not exceed 20% of the country quota (FC and TC). Engagement outside of the priority areas will be of limited duration. Furthermore, German development cooperation should not aspire to play a lead or significant role in donor coordination in the country in the sector concerned.' (Doc.5, p. 3))

priority area is comprised of programmes. While country strategies are the key instrument for political and strategic control at the country level, programmes are the key instruments for the operational management of bilateral development cooperation. These programmes should reflect the goals of the country strategy, and integrate the FC and TC modules<sup>32</sup> in a sector so that these can generate joint results (Doc.4).

The two case studies and the interviews conducted by DEval when developing the tool indicate that so far, not all country strategies meet the requirements placed on them as management instruments. Instead, portfolio management still often takes place at the level of the individual priority areas. Management at priority area level leads to less coherent coordination of the portfolios as a whole, because priority areas are planned and implemented independently of each other and interactions are not systematically discussed.

The two case studies also show deficits at the programme level, particularly with regard to the quality of programme planning and implementation. In the Kenyan-German and Mongolian-German portfolios, for instance, there is often no robust results logic at programme level. As a result, programmes display deficits with regard to the coherence of interventions, which tend to be linked rather loosely. Structural characteristics like those described reduce the probability that systemic changes will be prompted that go beyond individual project activities.

**Figure 5: Structure of country portfolios and importance of the country strategy**



*Source: authors' own graphic.*

**Implications of the BMZ's procedures for controlling official bilateral development cooperation when designing a CPR tool.** Individual CPRs can systematically assess the coherence of individual programmes and priority areas in a country portfolio. Given the challenges in German country portfolios outlined above, CPRs can therefore provide the regional divisions with important information for control and development of the country strategy. In this way they can help ensure that country strategies meet the strategic demands placed on them.

However, CPRs can meet only to a limited extent the needs articulated by many country officers for more in-depth analyses and recommendations at the programme level. Detailed priority area analyses would require a sophisticated understanding of the priority area(s) plus detailed knowledge. Furthermore, the additional work tasks might overstretch a CPR tool designed to be as compact as possible.

<sup>32</sup> A distinction is drawn between interventions that fall within a programme, which are termed modules, and those that do not fall within any programme.

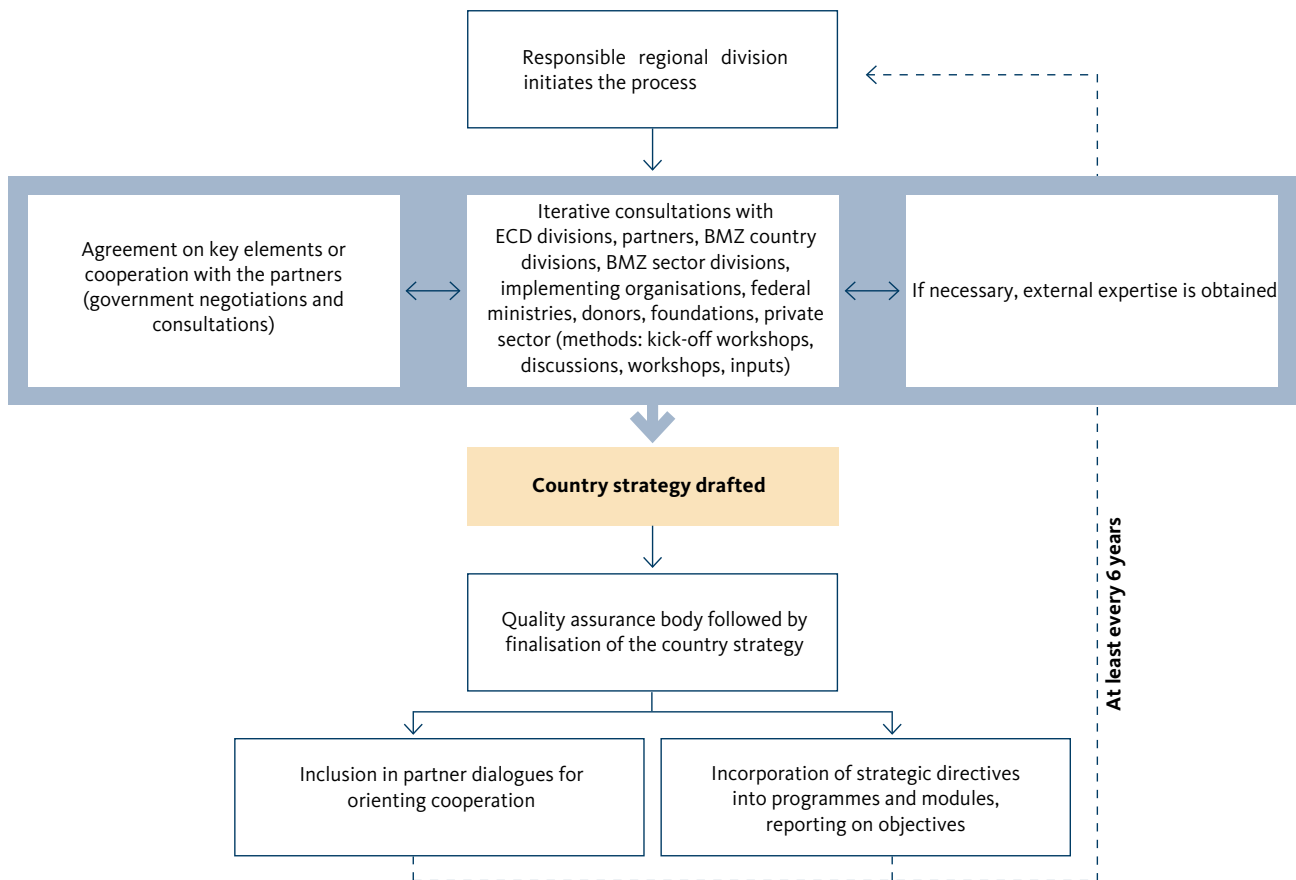
A meta-evaluation of the data could help provide an understanding of why particular directives of the BMZ are being complied with only partially, and how the BMZ's directives and management procedures might be adjusted accordingly. This might bring to light any challenges in the integration of TC and FC, for instance.

In accordance with national and international lessons learned to date (Chapter 4), CPRs should deliver the maximum strategic benefit for German bilateral development cooperation. The tool should therefore be designed both to supply the responsible regional divisions with the evidence they need for strategic management, and to generate information for refining overarching directives and processes of bilateral development cooperation.

**Country strategies should provide clear and strategic orientation for cooperation with a partner country. To ensure this, there are a number of directives and procedures that need to be complied with when designing the country strategy.**

To ensure that the future bilateral portfolio in the partner country is relevant and appropriate, the BMZ has determined that the country strategy must be developed in a so-called process of reflection. Pursuant to internal guidelines (Doc.1), when preparing the country strategy officers should pay particular attention to seven points on which they should base their assessment of the portfolio during the reflection process. They should reflect on the extent to which German development cooperation a) contributes toward implementation of the 2030 Agenda, and b) where possible is aligned with the development-policy goals, problem-solving strategies and capacities of the partner country. They should also assess c) the level of governance and potential for crisis, as well as d) the economic, social, cultural and environmental context. Furthermore, they should evaluate e) engagement to date and f) coordination and harmonisation of development interventions with other bi- and multilateral donors. Finally they should determine g) the relevance of German engagement relative to that of other donors, and in relation to other efforts (Doc.1). As also envisaged in the 2030 Agenda, this process of reflection should be as participatory and free from preconceptions as possible. This means that as well as the BMZ sector divisions and the implementing organisations, representatives of the partner government, donors, other German federal ministries and civil society should also be involved.

In interviews and workshops held with staff members of the BMZ, however, it clearly emerged that the participatory nature of this reflection process has varied widely, and in some cases the process is to a large extent based on the internal perspective of German development cooperation. In these cases, it is primarily actors of German development cooperation (the BMZ and implementing organisations) that participate in the reflection process. To put it another way, the BMZ's requirement that this process of reflection be as participatory as possible is not always being met.

**Figure 6: Steps in the process of preparing a BMZ country strategy**

Source: authors' own graphic, after BMZ (Doc.1)

**Implications of the country strategy preparation processes when designing a CPR tool.** The country strategy is an internal BMZ document. The directives on drawing it up remain relatively vague. As a result, the participatory nature of the process of preparing country strategies may vary from regional division to regional division. Nor is it always expedient to closely involve certain actors, particularly in partner countries with corrupt or authoritarian governments. In certain contexts it therefore makes good sense to limit participation and transparency in the preparation process. Similarly, the information obtained from such actors needs to be interpreted in light of the strong probability that they will primarily be communicating their own individual self-interest.

In many partner countries, though, the elected governments do legitimately represent the interests of their electorates. Here, CPRs can be a helpful tool in the reflection process when preparing the country strategy. CPRs can systematically capture the perspectives of different actors and transparently analyse this information for the country officers. National and international lessons learned to date have shown that the continuous involvement of different stakeholders is a precondition for their acceptance and adoption of the recommendations emerging from CPRs. When used to support preparation of the country strategy, CPRs can ensure the multi-perspectivity of the strategy, raise the quality of the country strategy preparation process and lighten the workload of the country officers.

As the main instrument for exercising political and strategic control of the bilateral portfolio in the narrow sense, the country strategy should include different perspectives and sources of information (such as context analyses, portfolio analyses and evaluations). Among other things, this should ensure the relevance of the German portfolio. The country officers responsible for the country strategy preparation process, however, have a large number of tasks, which does not always enable them to conduct an extensive process of reflection. This is where CPRs should support the country officers, by summarising and assessing various items of information and feeding this information into the process of reflection.

To achieve this it is important that CPRs are appropriately integrated into the existing structures, as also emphasised by national and international lessons learned (Chapter 4). Hence, to be of maximum benefit for target groups at the BMZ, CPRs should be synchronised with the relevant procedures for strategic portfolio management. To be more precise, CPRs should precede country strategy development. It would therefore seem appropriate to conduct CPRs in the run-up to the preparation of country strategies. Institutionalising CPRs in the process of country strategy preparation will also enable them to provide an important database for the quality assurance body, which can support the quality assurance of country strategies. To ensure that all country strategies are developed on the basis of an independent and robust set of data, CPRs should be institutionalised as an obligatory element of the reflection process in the long term.

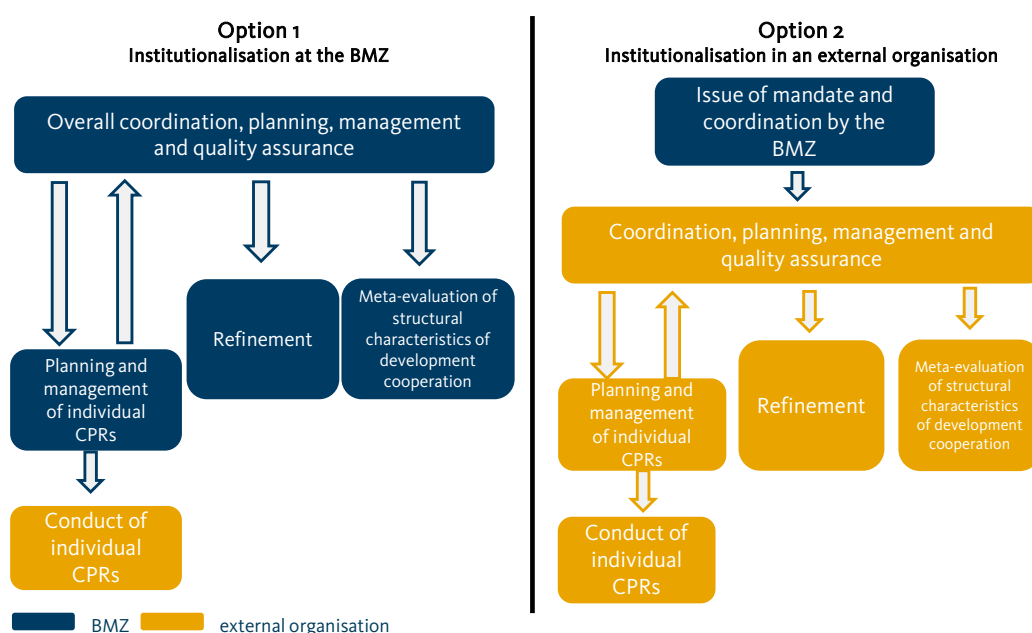
### 5.3 Organisational structure of the BMZ

To ensure that CPRs are: (i) appropriately integrated into the processes of bilateral development cooperation; (ii) implemented by the individual regional divisions, and (iii) used for purposes of organisational learning, they should be institutionalised within a central body at the BMZ. Consequently, a clear definition of responsibilities and competences for the CPR tool within the BMZ is a key precondition for the effectiveness of CPRs.

The organisational structure of the BMZ comprises Directorates-General, Directorates and Divisions. At division level, a further distinction is drawn between policy divisions, sector divisions and regional divisions. Basic directives for work in countries are set by the policy divisions and the lead regional divisions. These are then implemented by the regional divisions. It would therefore seem expedient to institutionalise the CPR tool in the policy divisions or lead regional divisions.

Managing and implementing CPRs also requires the establishment of a project unit that is permanently responsible for them. This unit would assure the consistency and high quality of CPR implementation. And it would permit continuous refinement of the tool as well as the identification of structural characteristics of German development cooperation across all partner countries. National and international lessons learned to date with the implementation of CPR-like formats have clearly shown that CPRs must enable the BMZ to have access to independent findings, and report on this transparently. One particular way of ensuring this is to make the CPR unit organisationally independent, and separate from operational business. There are two possible options for achieving this (see Figure 7):

**Figure 7: Options for institutionalising the CPR tool**



Source: authors' own graphic

- **Option 1: Institutionalising implementation at the BMZ.** The BMZ itself is responsible for the overall planning, coordination and management of the CPR tool. This also includes planning individual CPRs, managing the respective teams of consultants, continuously refining the tool, and conducting regular meta-evaluations of CPRs to capture structural characteristics of German development cooperation. Since the directives for planning and managing bilateral development cooperation 'in the narrow sense' are developed by the policy divisions, it would be appropriate to establish a CPR unit at this level. In the longer term this option might also include involving consulting firms, which for a limited period might also assume several overarching tasks such as further refinement and meta-evaluation.
- **Option 2: Institutionalising implementation in an external organisation.** The BMZ mandates an external organisation to conduct CPRs on a long-term basis. In this case the BMZ remains involved in overall coordination of the processes a whole, but delegates detailed coordination, planning and management of the CPR tool to the external organisation. This organisation is then also responsible for planning and managing the individual CPRs, which are conducted either by the organisation's own staff or by consultants. The methodological refinement of the tool, quality assurance of the individual CPRs and the conduct of regular meta-evaluations would also be included in the tasks of the external organisation. For this option scientific institutions with a strong focus on applied research, such as DEval or the German Development Institute, could be considered.

**Implications of the BMZ's organisational structure for designing a CPR tool.** Introducing CPRs requires a new range of tasks to be institutionalised within the BMZ. This entails new responsibilities and competences that must also be established. Ideally these tasks should be institutionalised in the policy divisions, as these form the central body within the BMZ that addresses basic issues of portfolio management, and can therefore set directives across all regional divisions.

Incorporating these tasks will place considerable demands on the administrative and human resources of the division concerned. Furthermore, the BMZ's rotation principle and the change of personnel associated with it can mean a challenge for establishing and developing the expertise needed to further refine the tool. Bearing this in mind, in the long term it would seem appropriate to transfer responsibility for managing and implementing CPRs to an external organisation. Mandating an external organisation is all the more appropriate because this would make it easier to guarantee independence, which is key to CPRs.

## 6. THE CPR TOOL



Based on the recommendations on designing CPRs discussed in Chapter 4, and the specific features and requirements of German development cooperation described in Chapter 5, we designed a tool for conducting CPRs. This tool is tailored to match the bilateral development cooperation system. We will now present the core elements of the CPR tool. For a more detailed description, please refer to the procedural guidelines in the online annex.

## 6.1 Target groups and results logic

As shown in Figure 5, CPRs generate their results along two results paths. These are each aimed at two different target groups within the BMZ.

### Results path 1: Results at the country portfolio level

Since CPRs will serve as a basis for the evidence-based design of the country strategies, the regional divisions are a particularly important target group. Based on an overarching review of bilateral development cooperation in a partner country, the CPRs are designed to support the regional divisions in the exercise of policy/strategic control. They aim to enhance both the content of the country strategy as it is developed, and the associated process of reflection. Thus, both the content and the process are improved.

**CPRs generate evidence-based options for strategic orientation of the bilateral development cooperation portfolio (adding value to the content).** They systematically analyse the entire portfolio of German bilateral development cooperation in the respective country context. Based on that they develop policy/strategic options for the future orientation of the country portfolio in line with the 2030 Agenda, and compare these options with each other. CPRs thus support the management capability of the regional divisions and supply evidence-based information for the country strategies.

**CPRs stimulate the process of reflection (adding value to the process).** They stimulate the process of reflection during preparation of the country strategy and enable the regional divisions, together with the officers for economic cooperation and development, implementing organisations and possibly other actors, to critically examine on a regular basis the frameworks and priority areas of action for individual countries. The systematic involvement of various development cooperation actors also promotes a joint understanding of the context, the identification of strategic links between individual priority areas and programmes, and opportunities for creating synergies.

### Results path 2: Results at the organisational level

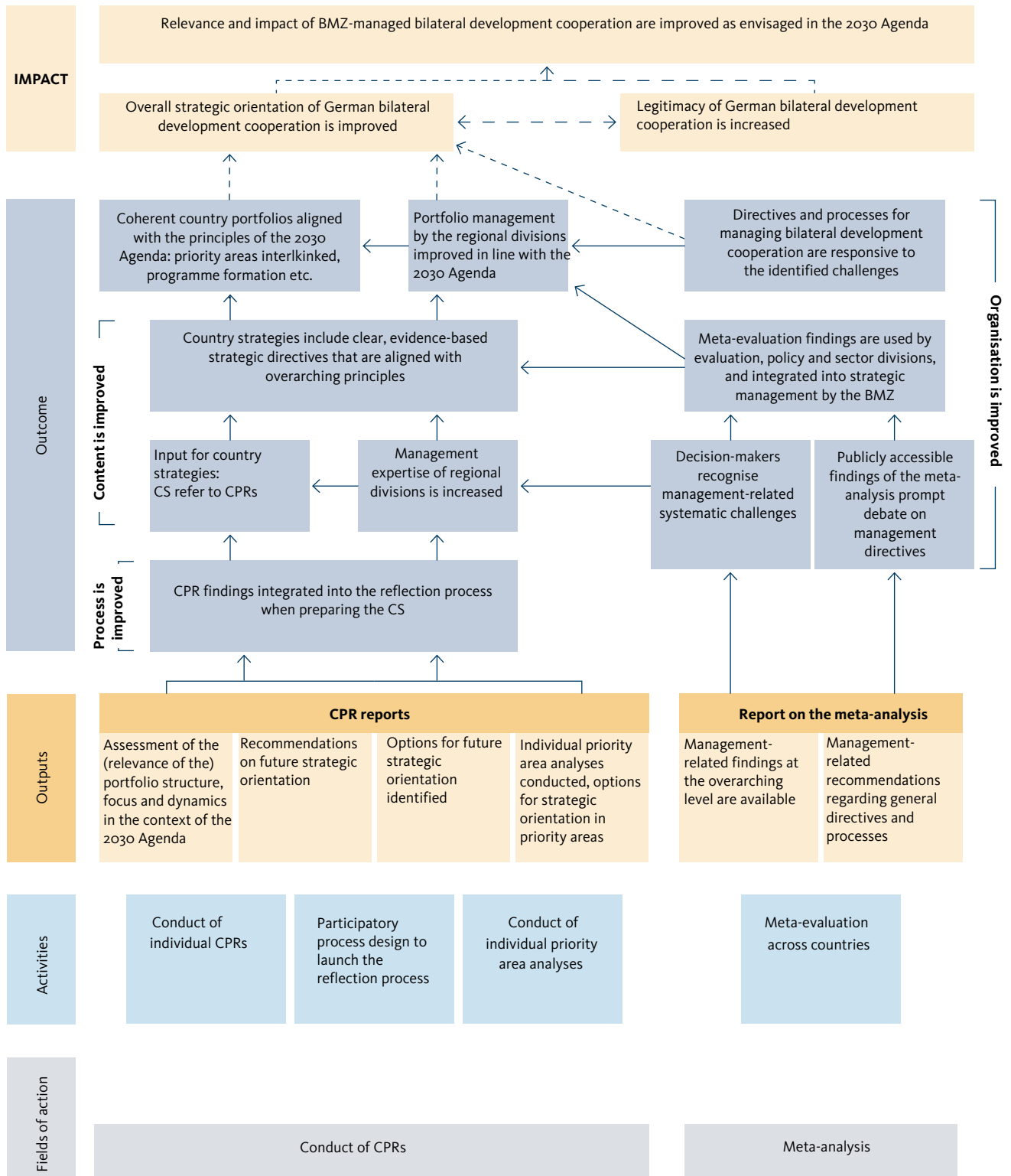
Furthermore, CPRs will also deliver overarching findings of key managerial relevance to the BMZ's divisions for policy issues and evaluation, and possibly sector divisions, as well as the senior management level.

**CPRs support the BMZ's strategic management at the overarching level (adding value for the organisation).** They enable the identification of overarching and structural challenges as well as potential for managing and planning German bilateral development cooperation. Regular meta-evaluations will be able to analyse cross-country findings and make these available to decision-makers in the BMZ's divisions for policy issues and evaluation, and possibly sector divisions, as well as the senior management level. This will help enhance the structural directives and processes for aligning bilateral development cooperation with the 2030 Agenda at the overarching level.

### Results at the more highly aggregated level: outcome and impact

The described results paths and the added value generated will improve portfolio management by the regional divisions, and ultimately foster the design of coherent country portfolios aligned with the principles of the 2030 Agenda. At the level of more highly aggregated results, CPRs will thus help boost the legitimacy and overall strategic orientation of German bilateral development cooperation. Ultimately this can help make bilateral development cooperation more relevant and effective.

Figure 8: Results logic of the CPR tool



Source: authors' own graphic

## Prerequisite for generating the described benefits

To generate the added value described above

... **CPRs take a bird's-eye view on the BMZ-managed bilateral country portfolio.** They allow a perspective on the portfolio as a whole. By looking at the portfolio's structure, focus and dynamics, CPRs analyse and make transparent coherence, strategic orientation, synergies and interactions both within the portfolio itself and with other actors in the portfolio environment.

... **CPRs provide an independent analysis of the current portfolio.** The analysis of known sources and the systematic gathering of supplementary data permit independent review of the current portfolio. Existing assessments of the portfolio made by the regional division are then either corroborated or critically examined.

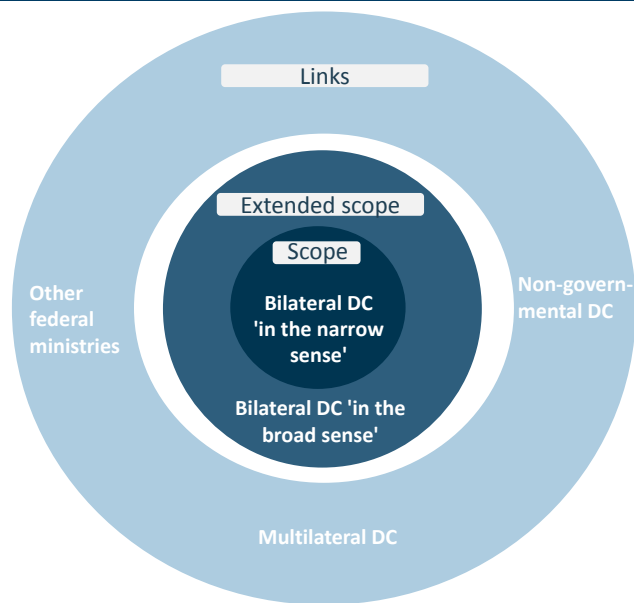
... **CPRs strengthen the involvement of various stakeholders, and by creating multiple perspectives enable balanced and sound assessment and decision-making.** CPRs involve the BMZ, partners and implementing organisations, as well as other donors, civil society, and the scientific and academic community. By taking into account the different experiences, preferences and orientations of these actors, CPRs enable the regional division to gain an overview of the multiple perspectives. This supports the balanced consideration of different courses of action and strategic decision-making.

## 6.2 The scope of CPRs

CPRs encompass official bilateral development cooperation, for which the BMZ is responsible. As described in Chapter 5, in the first instance the focus is on bilateral development cooperation 'in the narrow sense', as this accounts for the majority of the BMZ's work and is at the heart of the country strategies. This encompasses all interventions that are directly commissioned and managed by the regional division as part of bilateral portfolio management. Bilateral development cooperation 'in the broad sense', which is not managed directly by the regional division (and includes e.g. sector programmes and transitional development assistance), also plays an important role in many partner countries. Depending on their relevance, these interventions are therefore also included in the review. This is the case particularly when there are close links with bilateral development cooperation 'in the narrow sense', or where these are particularly significant for the strategic composition of the portfolio as a whole.

The contributions made by other German federal ministries, multilateral development cooperation and non-governmental development cooperation are also taken into account, but are only looked at and analysed in depth where there are clear overlaps with bilateral development cooperation 'in the narrow sense' (see Figure 9). The precise definition of the scope of the CPR will depend on the portfolio in question, and will be determined by the CPR team based on the portfolio analysis prepared. To this end the team will determine whether and to what extent specific information requirements or interests of the regional divisions can be included as part of the CPR, and whether other instruments (e.g. programme evaluations) should be used for this purpose.

Figure 9: The scope of CPRs



Source: authors' own graphic

### 6.3 The focus of CPRs

CPRs are centred on assessing the relevance of German bilateral development cooperation and answering the question 'Is German development cooperation (still) doing the right thing in the partner country?' The guiding framework for assessing relevance is provided by the key principles of the 2030 Agenda and the overarching development strategies of the BMZ (e.g. *Entwicklungspolitik 2030* ['Development Policy in 2030' – currently only available in German], and the Marshall Plan with Africa). Against this backdrop, CPRs develop strategic recommendations and options for the future design of the bilateral country portfolio.

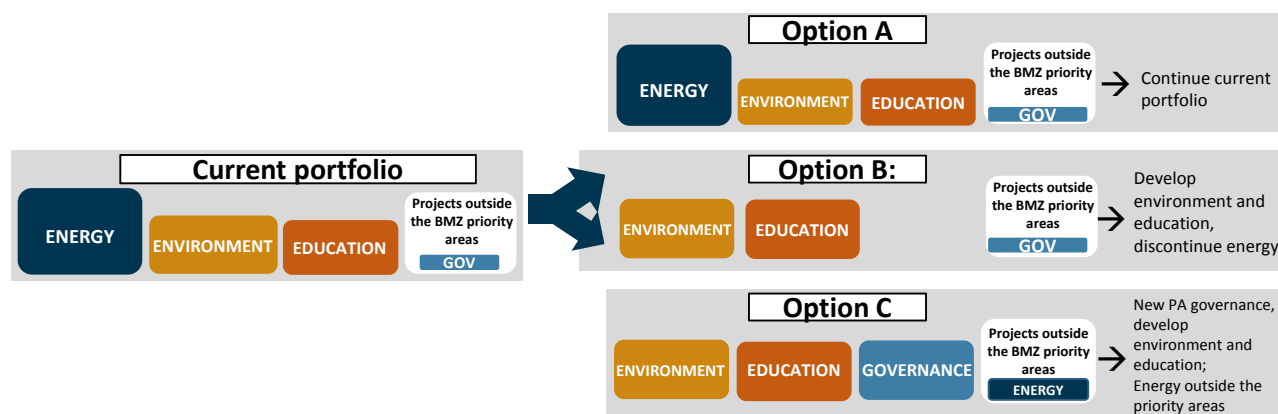
The review of the bilateral portfolio and the development of options are based on four (or where relevant five) overarching criteria that were identified when the tool was developed. Criterion 5 applies only to the development of future options. The criteria are based on the aforementioned overarching principles and strategies, and the directives for preparing the country strategy:

- **Criterion 1: Development needs and trends in the partner country.** The future German portfolio addresses current and future social, economic and environmental challenges in the partner country.
- **Criterion 2: Reform momentum and government priorities.** The future German portfolio responds to current reform efforts made by the partner government in line with the 2030 Agenda, and strengthens partner systems.
- **Criterion 3: Coordination and cooperation with other actors.** The future German portfolio displays increased coordination and cooperation with other development cooperation actors. It actively involves new reform actors from civil society and the private sector.
- **Criterion 4: Priorities and strengths of German development cooperation in the partner country.** The future German portfolio builds on strengths and potential of the current portfolio and responds to current strategies of German development cooperation.
- **Criterion 5: Risks and challenges.** The future German portfolio addresses appropriately challenges in connection with the current portfolio; implementation risks are identified and reflected on.

It is unlikely that all five criteria will be met to the same extent and can be mainstreamed within a single portfolio, as there are areas of tension between them. In other words, when one criterion is met this may have a negative impact on the operationalisation of another. This is the case for instance when momentum for reform and government priorities are not aligned with key development needs of the population in the partner country or the requirements of the 2030 Agenda.

When reviewing the portfolio and developing options for portfolio management, these areas of tension will be discussed and weighed up in relation to each other. This supports strategic decision-making by the regional divisions, which set priorities based on the available information. The regional divisions are then able to take a conscious decision for or against a particular option based on the potential and limitations for the country portfolio associated with that option.

**Figure 10: Example of criteria-based elaboration of options for portfolio management**



*Source: authors' own graphic*

To generate the information required a semi-standardised list of questions was developed. This contains questions on various levels. The overarching framework is defined by three key questions, supplemented by sub-questions that develop them in more specific detail. The key questions and sub-questions must be answered in every CPR (see Figure 11).

To specify the sub-questions, 'orientation' questions are used. These are adapted for each individual CPR in consultation with the regional division, and in line with the country context. This means that within the given framework, specific information requirements of the country officers can be taken into account. This semi-standardised procedure also enables comparability between individual CPRs, thus allowing the BMZ to gain strategic findings and learning effects at the overarching level. The list of questions including the orientation questions can be found in the Annex (Sub-section 9.2).

Figure 11: List of key questions and sub-questions



Source: authors' own table

## 6.4 Who is involved

The key coordinating body for any given CPR is the reference group. It comprises the staff of the responsible regional division, the respective economic cooperation and development officers and the CPR team. The RG ensures that the CPR runs smoothly, and that the CPR team and the main target group remain in continuous dialogue.

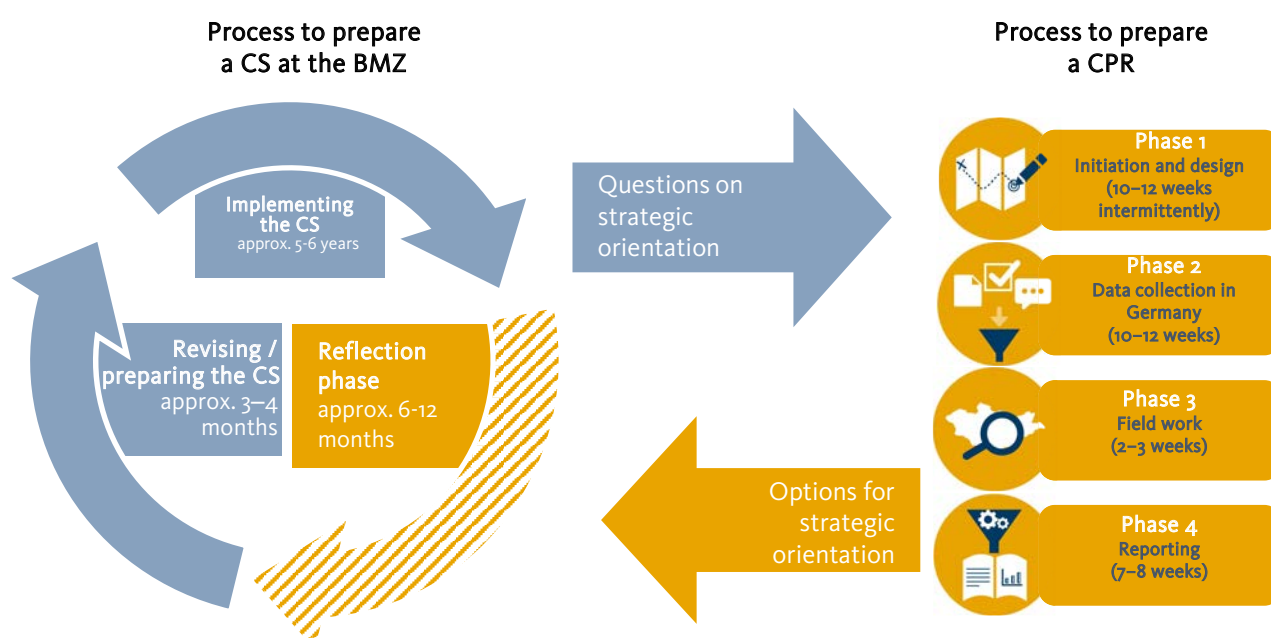
- **CPR team.** Each CPR is conducted by a CPR team comprised of experts from outside the BMZ. The teams will usually be supported by national and international consultants.
- **Regional division.** The regional division is the main addressee of the CPR report and the main point of contact for the CPR team.
- **Economic cooperation and development officers.** The in-country economic cooperation and development officers possess important knowledge and perform key roles throughout the CPR process. Since they are employees of the German Federal Foreign Office, they are not direct addressees of the CPR. Usually, however, they are members of the reference group.
- **Partner government.** Partner government staff are not direct addressees of the CPR. However they are kept informed throughout the CPR process by the regional division. Furthermore, during the field mission they are involved in the briefing and debriefing meetings, as workshop participants and as interviewees. The depth of their involvement varies depending on the context.

- **Implementing organisations.** The implementing organisation are key knowledge holders. They too are not direct addresses of the CPR. However from the data collection phase onward they are continuously involved in the CPR process through interviews, workshops and discussions.

## 6.5 Integrating CPRs into the country portfolio management cycle

When planning a country strategy, those involved also have to think about the planning of a CPR, to ensure that its findings can be optimally fed into the envisaged process of reflection and preparation of the new country strategy. Country strategies are usually valid for up to 6 years. According to the Ministry, the planning process should include a period of approximately 1 year for the phase of reflection and revision at the BMZ before the country strategy comes into force. To ensure that the findings of the CPR can be included in the phase of reflection, the CPR should be commenced about 1 year prior to the planned adoption of a new country strategy. The period required to implement a CPR from the design phase to the final report is approximately 6 months. Implementation is divided into four phases, from initiation through to finalisation (see Figure 12).

**Figure 12: Integrating the CPR into the process of preparing the CS**



Source: authors' own graphic

## 6.6 Phases and methodological approach of CPRs

Numerous qualitative and quantitative methods can be considered when conducting CPRs. The key precondition for a suitable methodological approach is appropriate consideration of the evaluation principles. These are:

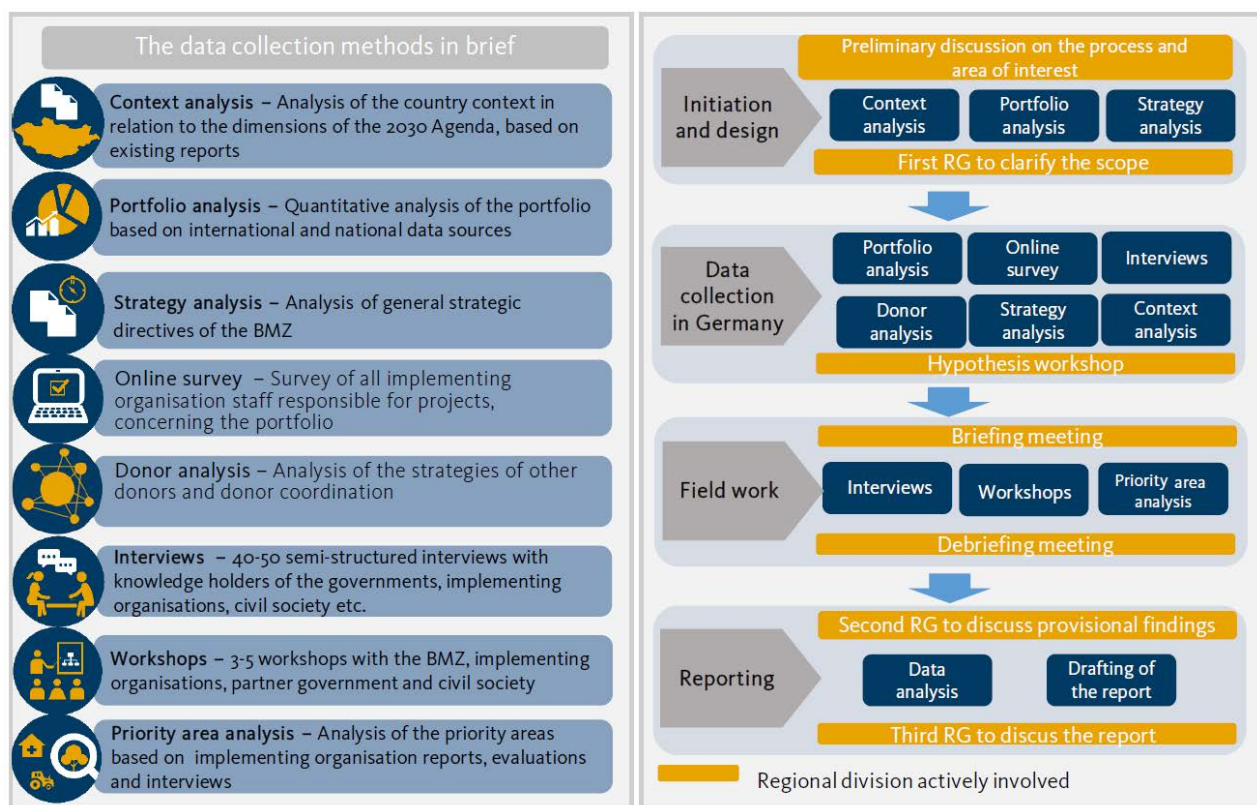
1. **Independence, credibility and absence of preconceptions.** Decision-making must be based on findings that have been collected and processed systematically and in accordance with evaluation standards. The process must be open-ended; in the final report, recommendations and conclusions must be clearly inferred from the findings, and must emerge from a credible process of analysis.
2. **Participation and transparency.** CPRs are designed to be as participatory and transparent as possible. This is the only way to ensure that all key perspectives are included, needs are comprehensively identified and stakeholders are optimally informed. This way the management options will be based on the best evidence currently available and acceptance of the findings will increase.



3. **Needs-based and fit for purpose.** CPRs address key management needs of the BMZ. First of all they are designed to meet the information needs of regional divisions when preparing country strategies in line with the 2030 Agenda and managing country portfolios. Secondly they supply information that is useful for the overall strategic management of bilateral development cooperation. Timely and comprehensive implementation, appropriate involvement of addressees, and appropriate systematic analysis and dissemination of the findings support the usefulness of CPRs.

Following these principles, a carefully chosen mix of quantitative and qualitative methods was developed. The list of questions serves as a basis for data collection and analysis, and synthesis across all methods. The data collection methods are mutually complementary and interlinked, as shown in Figure 13.

**Figure 13: The data collection methods and sequence of interlinked steps in a CPR**



Source: authors' own table

- **Phase 1: Initiation and design (10–12 weeks, intermittent).** Ten to twelve weeks before data are actually collected, the initiation and design phase begins. The CPR team and the regional division discuss the objectives of the CPR, as well as the possibility of including specific information requirements of the regional division and of involving various actors. During this phase the regional division obtains the documents and information needed for the CPR and makes these available to the CPR team, which performs a first desk study. The two sides also discuss and agree on the time frame and the process as a whole. On this basis the budget, the time schedule and the size of the team are determined, and the team is put together. If necessary, the list of questions is adapted to suit the country-specific needs.
- **Phase 2: Data collection in Germany (10-12 weeks).** During data collection in-depth portfolio, context and strategy analyses are performed, and supplemented by donor mapping. Building on the findings obtained an online survey is then conducted among staff of the implementing organisations. At the same time, German activities in the various priority areas are analysed, based on the reports submitted by the implementing organisations. First hypotheses are then formulated which are discussed in interviews with staff of the BMZ and implementing organisations. A hypothesis workshop is held in order to discuss the findings to date with the regional division, economic cooperation and development

officers and usually the implementing organisations, and to refine hypotheses and questions for the field phase.

- **Phase 3: Field work (2-3 weeks).** The field work phase is used to involve stakeholders in the partner country (partner government, civil society actors, other donors and independent experts), and to gather data on the ground. Interviews and various workshop formats are used to test the hypotheses from a country-specific perspective. In some cases an in-depth priority area analysis is also conducted. During the second week of the field work phase the focus is more forward-looking. Particularly with regard to cooperation with the implementing organisations, workshops and interviews are held in order to create spaces for dialogue and evidence-based self-reflection. At the end of the field work phase, first provisional findings and lines of thinking are presented to the regional division, the economic cooperation and development officers, the implementing organisations and partner-government representatives at a debriefing meeting.
- **Phase 4: Reporting (7-8 weeks).** During this phase all the data and findings are analysed and collated in the case study report. Shortly after the team returns, a reference group meets in order to discuss the provisional findings in detail with the regional division in Germany. The findings generated by all the data collection activities and discussions are fed into the final report. Each report undergoes a standardised quality assurance process prior to finalisation. If required, a decision is taken as to whether the subsequent process of reflection by the regional division should be supported through further inputs or activities by the CPR team. Box 4 shows some further information on the quality and robustness of the evidence provided.

#### Box 4: The robustness of the data, findings and conclusions of a CPR

The team uses various methods for collecting and analysing data that are mutually complementary, and that enable it to capture and describe different perspectives. This involves presenting and analysing various discourses and motives. The list of questions for the CPR, which defines key questions, sub-questions and orientation questions, provides the basis on which the team analyses the data across all methods. Systematic triangulation of the methods enables the team to ensure the quality of the findings.

**Triangulation of methods and data.** To verify whether an item of information is robust, the team uses various methods and sources when collecting and analysing data. An item of information is described as robust when at least three methods and sources support the same finding. Where this is not the case or where conflicting information is obtained, this is highlighted and discussed in the CPR report. It is important here to separate perspectives. The team therefore identifies and describes differing points of view and perceptions. The CPR tool is designed such that for each sub-question on the list the findings from at least three methods can be considered (see Table 2).

Table 2: Triangulation of methods and data

		Context analysis	Portfolio analysis	Strategy analysis	Online survey	Interviews	Workshops	Donor analysis	Priority area analysis
KEY QUESTION A	1) How does the current country context look, and what key development trends will there be in the partner country over the next few years?	x			x	x	x		
	2) What priorities is the partner government pursuing, and to what extent is it addressing the key development trends in line with the 2030 Agenda?	x	x			x	x		
	3) What role are civil society and private sector actors playing in the country with respect to the development trends?	x				x	x		
	4) What role are donors playing with regard to the development trends?		x		x	x		x	
KEY QUESTION B	1) How is the BMZ's portfolio in the partner country structured, what is its strategic orientation, how is it managed and does it incorporate global and regional strategies of German development cooperation?		x	x	x	x			x
	2) What are the strengths and challenges of the current portfolio?		x		x	x	x		x
	3) How relevant is the portfolio to momentum for reform, development needs and implementation of the 2030 Agenda?	x	x	x		x			

**Rating system.** The questions are rated in relation to criteria that are different for each sub-question on the list. For each sub-question or rating criterion an overall assessment is conducted based on the results from the various methods. The criteria are rated along a five-point scale: very satisfactory, satisfactory, partially (un-)satisfactory (indifferent medium category), unsatisfactory, very unsatisfactory.

**Cross-check principle.** Two aspects – applying the cross-check principle within the CPR team and cooperation with the reference group – ensure that all facts and findings are checked once again to make certain they are correct. Furthermore, interpretations and conclusions and the information on which they are based are always questioned and discussed by several members of the CPR team.

## 7. STRATEGIC RECOMMENDATIONS AND CRITICAL REFLECTION ON THE TOOL

This chapter formulates strategic recommendations to the BMZ. It then reflects critically on the CPR tool. It identifies tensions and risks that should be taken into account when using and refining the tool.

## 7.1 Strategic recommendations to the BMZ

In light of the changing demands on bilateral development cooperation the BMZ has strengthened its processes for strategic planning and management at portfolio level. The findings in Chapter 2 clearly show that a tool for strategic portfolio analysis can meaningfully support the BMZ's strategy building process and strategic management at country level. The report thus supports the Ministry (which already took initial steps to develop a tool in 2016) in closing this evidence gap.

A tool of this kind can support the regional divisions in elaborating the country strategies. It will achieve this by independently assessing the country portfolio in light of future needs in the partner country, and stimulating the process of reflection as the country strategy is developed. Such analyses can support the BMZ in meeting its international obligations, particularly with respect to the 2030 Agenda. At the same time, portfolio analyses can provide an important database for the BMZ's overarching strategic questions by identifying and analysing structural challenges for German bilateral development cooperation.

**Strategic recommendation 1:** The BMZ's efforts to introduce a tool for strategic analysis at the portfolio level are to be welcomed. The tool should be firmly institutionalised within the management system for bilateral development cooperation, and perform two roles. It should A) help close the information gap at portfolio level, and by doing so strengthen the strategic management of bilateral development cooperation at the level of the regional divisions; and B) generate findings that will help improve the overarching directives and processes of bilateral development cooperation.

To perform the roles described, the analyses should be conducted as comprehensively and regularly as possible in all partner countries, and the information should be fed into the strategic management of official bilateral development cooperation so that it can be used when developing the country strategy. This will require a detailed assessment of the relevance of German bilateral development cooperation in light of Germany's global obligations such as the 2030 Agenda. And it will require the elaboration of evidence-based options for strategic orientation of the portfolio.

Comparison with different types of tool for such a strategic portfolio analysis, such as country programme evaluations, has clearly shown that country portfolio reviews are the appropriate analytical tool. Given their lean and future-oriented nature, and their focus on updating or reorienting country strategies, plus their focus on overarching relevance and management aspects, CPRs meet many of the described requirements.

**Strategic recommendation 2:** To support portfolio management and country strategy development, the BMZ should introduce country portfolio reviews as a tool for strategic analysis.

The CPR tool presented here is the outcome of an intensive process of development and testing. It has been designed to (i) match precisely the needs of German bilateral development cooperation; (ii) ensure compliance with basic evaluation standards, and (iii) incorporate lessons learned by other donors when implementing CPRs.

At the same time, the case studies clearly show that there are still areas where the tool should be further refined. Particularly bearing in mind future changes in the system of bilateral development cooperation, refining the tool should also remain an integral part of implementing CPRs.

**Strategic recommendation 3:** CPRs should be implemented in accordance with the procedural guidelines elaborated. To further enhance the quality of CPRs and take account of changes in the German development cooperation system, the tool should be continuously reviewed with regard to its utility, and refined.

Chapters 2 and 5 clearly showed that the described evidence gap at portfolio level is not a country-specific phenomenon. It occurs in most partner countries of German bilateral development cooperation.

Furthermore, there are perceptible differences between the regional divisions in terms of the nature of the reflection process when drawing up or revising the country strategies. This means there are also major differences in the quality of the evidence on which the process is based.

To ensure that all country strategies are developed on the basis of an independent and robust set of data, CPRs should be institutionalised as a binding element of the reflection process in the long term. They should also be monitored as part of the quality assurance process for country strategy development. Furthermore, this is the only way to obtain a representative picture of the strengths and challenges of German bilateral development cooperation that will support organisational learning, and to avoid positive or negative distortions of the information.

**Strategic recommendation 4:** To ensure that CPRs deliver added value for the strategic management of bilateral development cooperation in all partner countries, the BMZ should make CPRs in the long term a binding element in the reflection phase when drawing up country strategies. By clearly assigning responsibilities within the Ministry, the BMZ should ensure that the findings are used both at the country level for portfolio management, and at the overarching level for answering strategic questions.

Appropriate institutionalisation of the CPR tool is a key prerequisite for its high-quality implementation. As well as the long-term institutionalisation of CPRs in the country strategy preparation process, this will also require the establishment of the capacities, competences and resources needed to conduct CPRs. National and international lessons learned to date with the implementation of CPR-like formats have clearly shown that CPRs must be capable of producing independent findings and reporting on them transparently. One particular way of ensuring this is to make the CPR unit organisationally independent, and separate from operational business.

Creating a CPR unit at the BMZ that is separate from the regional divisions would be possible in principle. However, this would entail significant administrative challenges and consume a great deal of BMZ's internal resources. An external unit, on the other hand, would involve considerably less administrative expense and could therefore be set up more quickly. A further argument in favour of an external CPR unit is that this would make it easier to ensure staff continuity and thus develop CPR expertise in the long term. It would also guarantee the independence of CPRs.

**Strategic recommendation 5:** The BMZ should institutionalise implementation of the CPR tool in a way that safeguards the tool's independence and quality. An independent external organisation should be mandated to conduct the CPRs for a test phase. Should the test phase prove successful, long-term institutionalisation in an external organisation should be pursued.

The CPRs developed address key issues of strategy building. They focus on aspects of assessing relevance and coherence. CPRs thus supply valuable independent information for strategic portfolio management.

Considerable though the additional benefits of CPRs for the German development cooperation system may be, this tool clearly also has limitations. During the development process it emerged that as a strategic analytical tool at country portfolio level, CPRs can cover only part of the information that the BMZ requires for modern and results-based portfolio management.

It is true that CPRs discuss the country portfolio's potential for impact, i.e. the extent to which the generation of systemic, sustainable results is considered plausible. However, the prime objective of CPRs is to assess the relevance of the portfolio as a whole. CPRs cannot supply any evidence-based findings on effectiveness, impact or sustainability at programme or project level. This is due largely to the unavailability of corresponding secondary data. CPRs are not able to themselves collect data in order to measure results. Question concerning the effectiveness, impact, sustainability and efficiency of individual programmes or even modules/projects can only be answered when high-quality evaluations have been conducted at the programme/project level. The BMZ, implementing organisations and DEval have already gained some experience with review- and evaluation-based approaches at the level of priority areas and programmes. No standardised procedure exists as yet, however.



**Strategic recommendation 6:** The BMZ should continue to explore the systematic introduction of evaluations at programme/priority area level. Here it will be able to build on existing observations and lessons learned by the BMZ, implementing organisations and DEval. Where possible the evaluations should assess the effectiveness, impact, sustainability and efficiency of programmes. Ideally, these evaluations will be timed such that they can be used as a source of information for CPRs, and thus for developing country strategies. It would appear to make sense to develop a tool for programme/priority area evaluations for this purpose, analogous to the CPR tool.

## 7.2 Critical reflection on the tool

The BMZ could significantly strengthen its strategic portfolio management by institutionalising the CPR tool. However, findings show that integrating the tool into the German development cooperation system will entail certain challenges. These should be borne in mind when introducing the tool and minimised when refining it. Tensions arise in various areas. These are (1) the objectives, (2) the scope, (3) the management and implementation, and (4) the focus of CPRs.

### Challenge 1: The objectives of CPRs

CPRs are conducted with two objectives in mind. Firstly, CPRs support the regional divisions in developing the country strategies, and thus have an effect at country level. Secondly, CPRs allow the generation of cross-country strategic findings for official bilateral development cooperation, as they ensure a quality standard for the conduct of portfolio analyses. In this context there is potential for tension between the cross-country requirements of the policy divisions, and the requirements of the regional divisions.

To obtain a representative picture of German bilateral development cooperation, and support organisational learning (objective 2), CPRs should be performed comprehensively. In other words, they should be mandatory. The findings of all CPRs should be assessed by a single body, and the lessons learned compared across all CPRs and partner countries.

From the regional divisions' perspective, it often seems more appropriate to conduct CPRs as the demand arises (rather than across the board). There is also a risk that the cross-country assessment of CPRs might be seen as tool of control designed to ensure standardisation and accountability.

To mitigate this challenges it is important to introduce gradually the comprehensive and mandatory conduct of CPRs. First of all the responsible divisions should be persuaded of the beneficial nature of the tool. One way of supporting this would be to implement and refine the tool based on user needs. Another would be to prompt an internal discussion at the BMZ of the tool's objectives and added value. At the same time it is necessary to create an enabling institutional environment for evidence-based learning. This includes developing a safe-to-fail organisational culture that enables and fosters the analysis of positive and negative lessons learned without treating them as mistakes, and without preconceptions.

### Challenge 2: The scope of CPRs

CPRs focus on the official bilateral portfolio 'in the narrow sense'. Other BMZ activities (bilateral development cooperation 'in the broad sense', non-governmental and multilateral development cooperation) are included where they are linked to the bilateral portfolio 'in the narrow sense'. In this context there is clearly a tension between narrowing and broadening the scope of the review.

The areas beyond bilateral development cooperation 'in the narrow sense' account for an (increasingly) significance share of the BMZ's (and the whole of Germany's) development cooperation activities. It therefore seems appropriate to broaden the scope of CPRs, particularly with the coherence and coordination of the BMZ's activities in mind.

Given the growing importance of bilateral development cooperation 'in the broad sense', planners should look more closely at this aspect when refining the tool. They should also examine whether the responsible sector divisions might also be considered a target group of a given CPR, and involved in the CPR accordingly.



To ensure the tool is workable, non-governmental and multilateral development cooperation, and the activities of other ministries, should also be included in the future only where these are linked to development cooperation 'in the narrow sense'. Any further broadening of the scope can only occur selectively. Independently of the CPR tool, joint reviews by various federal ministries can generate further key information for orienting country portfolios.

### Challenge 3: Managing and implementing CPRs

CPRs are currently designed as an in-house tool. They serve primarily the BMZ, with the regional divisions as the main target group. Accordingly, the BMZ and its regional divisions are much more actively involved in the process of managing and implementing CPRs than other actors. At this point an challenge between the BMZ's internal process and the involvement of external actors becomes apparent.

This orientation carries a risk that insufficient attention might be paid to other important perspectives such as those of the partners, other ministries, the implementing organisations and other donors. As well as affecting the quality of the CPR content, this can also constrain ownership of the findings among the actors involved (or rather not involved).

At the same time, disclosure of CPRs also entails difficulties. CPRs are especially beneficial when they are able to point clearly and specifically to problematic areas within German development cooperation, and describe difficulties with other actors. If external actors have access to the report, it may be more difficult to deal with challenges frankly.

Given the BMZ's requirements for managing the country portfolios, at this point in time an internal tool would therefore seem appropriate. At the same time the regular publication of meta-evaluations can help mitigate the aforementioned tension, as this will bring to light structural challenges of German bilateral development cooperation. Beyond that, planners should consider where it makes sense to involve external actors more closely in the CPR process.

This applies particularly to partner-government representatives, who under the present proposal are involved with the CPR tool merely as knowledge holders. According to the 2030 Agenda, however, the partner government should play a more active role. When refining the tool, planners should therefore consider how the partner government can be involved particularly in the design phase of CPRs, for instance when initial hypotheses are being discussed. Another point to consider is the extent to which the findings of CPRs can be shared with partners.

A closer involvement of economic cooperation and development officers in CPRs might also deliver major added value. Economic cooperation and development officers form the interface between the political decision-makers at the BMZ, and the practical implementation of development cooperation in partner countries. To be able to perform their role for German development cooperation in the partner country, these officers should not only be familiar with the findings of CPRs. They should also be able to actively contribute their points of view to the CPR process. They should certainly have access to the CPR report and have an opportunity to comment on it.

Under the existing proposal for a CPR tool the implementing organisations are involved mainly as knowledge holders. Planners should also ensure that the implementing organisations are involved in the hypothesis workshop at the beginning of the CPR, and have access to the report. In the long term, the BMZ should likewise consider whether the implementing organisations can also add their comments to the CPR report. This would put their knowledge to even more effective use, and at the same time strengthen ownership of the CPR findings among these key actors of German development cooperation.

In the wake of the 2030 Agenda and the Aid Effectiveness Agenda, donor coordination is becoming increasingly important. Other donors are included in the data collection activities in order to support coordination between them. Furthermore, some thought might be given – at least in countries where there is regular dialogue between donors – to how the CPRs and CPEs of the various donors can be appropriately linked. For instance, certain information might be collected at a single point, and abridged versions of the reports made available to all. This might support the conduct of joint context analyses, and the use of CPR

findings for strategic partner dialogue at sector level. It would then no longer be necessary to duplicate collection of the same data.

To boost internal learning and increase benefits for the regional divisions, it would also make sense to involve the responsible country officers in the CPR more extensively during the field mission. This is particularly relevant for the discussions and workshops initiated in the CPRs where issues of future portfolio development are discussed. One way of boosting organisational learning would also be to involve country officers in a peer learning approach that enabled them to take part in CPRs in partner countries for which they are not responsible. To realise these options, more financial resources for travel would need to be made available in the future. This seems to make sense not only in conjunction with the conduct of CPRs, and the BMZ should look into it.

#### **Challenge 4: The focus of CPRs**

The CPR tool focuses on generating information on questions of overarching management and relevance at the level of the entire portfolio. In other words, CPRs should supply information primarily for purposes of country strategy development. At this point a tension emerges with respect to the current information needs of many country officers.

Despite the formal strengthening of the country strategy as a management tool, in most countries management takes place de facto at the priority area or programme level, and only to a minor extent at portfolio level. Hence there is a strong demand for analyses and recommendations at programme level, while overarching issues at portfolio level are not always seen as relevant. This can have implications for the perceived usefulness of CPRs in the regional divisions.

Even so, CPRs should continue to focus on the portfolio as a whole. This strategic orientation sets the point of reference for the further design and interlinkage of the priority areas and programmes. It is fundamentally important for the relevance and coherence of the portfolio as a whole, and therefore for the relevance of individual priority areas and programmes too. At the same time this will ensure that the tool supports the appropriate change processes for strengthening strategic management already triggered within the BMZ by the upgrading of the country strategies.

To ensure that CPRs are useful, however, country strategies must be further strengthened as a tool for managing bilateral development cooperation. Furthermore, as the tool is refined planners should examine how things can be made more responsive to the current needs of the regional divisions at priority area level. One option might be additional priority area analyses conducted as part of CPRs. Another appropriate supplement might be the priority area/programme evaluations mentioned in Recommendation 5.

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## 9. ANNEX

## 9.1 Strategic portfolio analysis tools used by other bilateral and multilateral donors

Country	Organisation	Tool
Austria	Austrian Development Agency Federal Ministry for Europe, Integration and Foreign Affairs	Country & Regional Strategy Evaluation/Review
Belgium	Special Evaluation Office	Country Strategy Evaluation (under development)
	Enable	Country Portfolio Evaluation (under development)
Canada	Global Affairs Canada	Country Programme Evaluation; Regional Thematic Evaluation
Denmark	Danish International Development Agency	Danida Joint Country Evaluation; Real-Time Evaluation (RTE), Mid-Term Review
Finland	Ministry for Foreign Affairs	Country Programme Evaluation; MTR by self- assessment; Thematic Review; Meta-analysis of Country Programme Evaluations
France	Ministry of Foreign Affairs (Directorate-General for Globalization and International Development)  Ministry of Finance (Directorate- General of the Treasury)  French Development Agency	Country Programme Evaluation (jointly conducted by all three organisations)
Germany	Federal Ministry for Economic Cooperation and Development	Country Portfolio Review (under development)
Ireland	Ministry of Foreign Affairs and Trade	Country Strategy Evaluation; Country Review
Italy	Ministry of Foreign Affairs and International Cooperation	Country Programme Evaluation
	Italian Agency for Development Cooperation	Country Programme Review
Japan	Japan International Cooperation Agency	JICA Country Analysis Paper (JCAP)
Korea	Korea International Cooperation Agency	Country Programme Evaluation

Luxembourg	Ministry of Foreign and European Affairs in collaboration with LuxDev	Joint Country Programme Review/Evaluation (hybrid)
New Zealand	Ministry of Foreign Affairs and Trade	Country Programme Evaluation; Sector Evaluation; Policy Evaluation; Thematic Evaluation
Norway	Norwegian Agency for Development Cooperation (Evaluation Department)	Country (Portfolio) Evaluation
Portugal	Camões, IP	Joint Country Strategic Programme Evaluation
Slovak Republic	Ministry of Foreign and European Affairs	Country Programme Evaluation
Slovenia	Ministry of Foreign Affairs	Country Programme Evaluation
Spain	Spanish Agency for International Development Cooperation	Country Programme Evaluation; Country Programme Review
Sweden	Swedish International Development Cooperation Agency Expert group for aid studies	Country Programme Evaluation; Mid-Term Review Country Programme Evaluation
Switzerland	Swiss Agency for Development and Cooperation	Country and Regional Strategy Evaluation
	State Secretariat for Economic Affairs	Country Strategy Internal Review (CSIR) (led by the operational arm)
United Kingdom	Department for International Development	Country Programme Evaluation; Synthesis Report; Country Poverty Reduction Diagnostic (CPRD); Inclusive Growth Diagnostic (IGD)
USA	United States Agency for International Development	Country Development Cooperation Strategy (CDCS); Mid-Course Stocktaking (MCST); Strategy Level Portfolio Review (SPR) (performed in country offices); Sector Portfolio Review (performed by technical bureaus in Washington)



Organisation	Tool
Asian Development Bank	Country Assistance Program Evaluation (CAPE), Country Partnership Strategy Final Review (CPSFR)
African Development Bank	Country Strategy and Programme Evaluation
European Commission	Country-Level Evaluation
Inter-American Development Bank	Country Programme Evaluation
International Fund for Agricultural Development	Country Strategy and Programme Evaluation (CSPE)
United Nations Development Programme	Independent Country Programme Evaluation (ICPE), Assessment of Development Results (ADR)
United Nations Population Fund	Country Programme Evaluation
United Nations International Children's Emergency Fund	Country Programme Evaluation
United Nations Industrial Development Organization	Country Evaluation (CE)
World Bank Group	Country Program Evaluation, Clustered Country Program Evaluation (CCPE), Systematic Country Diagnostic (SCD) Completion and Learning Review (CLR), Performance and Learning Review (PLR)

*Source: The content of this table is based on an extensive desk study, plus the information supplied by the donor organisations attending the workshop on CPEs and CPRs held jointly by OECD-EvalNet and DEval in Paris from 28 February to 1 March 2019. The table is not intended to be exhaustive. As well as the tools listed here it is highly likely that other donors are using other CPE and CPR tools.*

## 9.2 The List of questions for CPRs

Sub-questions	Orientation questions
<b>Key question A:</b> What are the current needs and trends in the partner country, and to what extent are these being addressed by the government, civil society and donors?	
A1) How does the current country context look, and what key development trends will there be in the partner country over the next few years?	What development challenges does the partner country currently face, and what trends will there be over the next 5 to 10 years in the political, social, economic and environmental dimensions (e.g. democratisation, population growth, industrialisation, impacts of climate change, urbanisation)? What needed actions can be identified on the basis of this? To what extent do various stakeholder groups (civil society, NGOs, government, opposition, think tanks, private sector, German development experts in the partner country) see things similarly or differently?
A2) What priorities is the partner government pursuing, and to what extent is it addressing key development trends in line with the 2030 Agenda?	What are the partner government's key priorities (specify 2–3)? How is the partner government operationalising these development priorities? In what areas are momentum for reform or even reform efforts by the government evident, and where is this perhaps less so, or not the case at all? In what areas are there major discrepancies between what the documents say and the actual operationalisation of priorities? How to rate the quality and ownership of implementation of the 2030 Agenda by the partner government?
A3) What role are civil society and private sector actors playing in the partner country with respect to the development trends?	In what areas can key reform actors outside the government be identified? Which actors are important here? How do the various actors and stakeholders in the partner country work together?
A4) What role are donors playing with regard to the development trends?	a) How large is the share of ODA relative to other investments/sources of funding in the partner country (e.g. national budget, FDI)? What thematic areas are donors focusing on? How large is the share of BMZ funding relative to these actors?
	b) What overarching goals and strategies are the key donors in the partner country pursuing? To what extent are key development challenges being addressed? To what extent are donors supporting the partner government in implementing its national development strategy (2030 Agenda)? To what extent do the donor

Sub-questions	Orientation questions
	<p>strategies display commonalities? Where does the strategy of the BMZ portfolio differ from other strategies, and why? To what extent are donors working with actors outside the government?</p> <p>c) To what extent does partner government-led, structured and transparent coordination and division of labour between donors take place? What concrete effect does donor coordination have on the positioning of the German development cooperation portfolio? What potential synergies and opportunities for coordination (e.g. within the framework of EU Joint Programming) are being utilised?</p>
<p><b>Key question B:</b> How does the profile of German development cooperation in the partner country present itself, what key lessons have been learned from implementation of the German portfolio to date, and how relevant is the portfolio?</p>	
<p>B1) How is the BMZ's portfolio in the partner country structured, what is its strategic orientation, how is it managed and does it incorporate global and regional strategies of German development cooperation?</p>	<p>a) Which German actors (e.g. other German federal ministries, political foundations, civil society groups, private sector) operate in the partner country? What relevant interfaces/potential for cooperation with the BMZ portfolio exist with these actors?</p> <p>b) How is the BMZ portfolio structured (priority areas, projects interventions outside the priority areas, special initiatives etc.)? How significant is the German portfolio in the partner country (in terms of volume of funding) compared to other donors? How has the portfolio developed in recent years, and why? To what extent is a country-specific overall strategic approach evident, and where should the BMZ sharpen the German profile and corporate identity?</p> <p>c) What are the BMZ's key overarching development goals and strategies at the global level (e.g. the Development Policy in 2030 strategy or cooperation with the private sector) and regional level (e.g. Marshall Plan)? To what extent is the BMZ portfolio in the partner country aligned with these goals and strategies? Where do discrepancies exist, and why?</p> <p>d) How does the BMZ manage its official bilateral development cooperation portfolio? To what extent are the BMZ's current internal directives and recommendations on managing the portfolio as a whole and the priority areas being implemented (e.g. country strategy, programming, results logic, M&amp;E systems)?</p>

Sub-questions	Orientation questions
	<p>e) How is the official bilateral development cooperation portfolio structured? Are the relevant directives being implemented? Which tools and funding mechanisms are being used? What role is played by bilateral development cooperation 'in the narrow sense'? How is complementarity within German development cooperation to be rated? What differences exist between the individual priority areas?</p> <p>f) To what extent do the actors of official German development cooperation systematically coordinate their activities? To what extent do they cooperate with other German actors (political foundations, civil society groups, private sector etc.)? Are dedicated instruments being used for this purpose?</p>
B2) What are the strengths and challenges of the current portfolio?	<p>a) How is the quality of project implementation to be rated? Which themes and instruments of the BMZ portfolio are given particular emphasis or are seen as comparative advantages in the partner country? In what areas is German development cooperation seen as being particularly successful or unsuccessful, and why? Are there areas where the generation of sustainable, systemic results is seen as plausible (potential for effectiveness)?</p> <p>b) How does cooperation between German development cooperation actors and the partners look? Where does the German side succeed in influencing (sector) policy through (sector) policy dialogue? How are the partner capacities to be assessed? How do particular partner capacities affect the shape of the portfolio?</p>
B3) How relevant is the portfolio to momentum for reform, development needs and implementation of the 2030 Agenda?	<p>a) To what extent does the BMZ portfolio support the partner government in implementing international agreements, particularly the long-term transformation to environmentally, economically and socially sustainable development as envisaged in the 2030 Agenda? To what extent does this include key principles such as 'leave no one behind'? To what extent is the BMZ also promoting political stability in the country appropriately? Is the BMZ portfolio responsive to the government's priorities? Where do discrepancies or areas of tension exist, and why?</p> <p>b) To what extent is the BMZ portfolio designed to boost civil society engagement, promote private investment and support the development of partner capacities for self funding as envisaged in the 2030 Agenda?</p>

Sub-questions	Orientation questions
	c) To what extent is German development cooperation promoting partner ownership (e.g. subsidiarity with respect to partners' own efforts, strengthening and use of partner systems)?
	d) How is the BMZ portfolio configured regionally? Is a meaningful regional focus evident? Would regional changes in the portfolio appear appropriate?
	e) To what extent is the portfolio able to adapt to changing conditions?
<b>Key question C: What conclusions and recommendations can be drawn for further strategic development of the portfolio in line with the 2030 Agenda?</b>	
C1) What structural adjustments and recommendations can be inferred from the findings generated by key questions A and B with respect to the portfolio as a whole?	
C2) What future options can be identified at the level of the portfolio as a whole, and (possibly) at the level of priority areas?	

### 9.3 Timeline

Time frame	Tasks
<b>Developing the tool</b>	
September 2017 - November 2017	Drafting the concept paper and elaborating the provisional tool
November 2017	Meeting of reference group to discuss draft concept paper
December 2017 - March 2018	Conduct of case study in Kenya
March 2018 - April 2018	Internal review of lessons of learned in Kenya and adjustment of the tool
April 2018	Reference group meeting to review lessons learned in Kenya
<b>Refining the tool</b>	
June 2018 – August 2018	Conduct of case study in Mongolia
September 2018 - October 2018	Internal review of lessons of learned in Mongolia and finalisation of the tool
September 2018	Reference group meeting to review lessons learned in Mongolia
September 2018	Workshop with lead and regional divisions
<b>Finalising the tool and reporting.</b>	
August 2018 – December 2018	Synthesis of findings, preparation of full report and procedural guidelines for CPRs
January 2019	Reference group meeting to discuss full report and procedural guidelines
March 2019	Final report submitted to BMZ
April 2019	Conclusion of project after layout and publication

**9.4 The team**

Last name	First name	Position
Hartmann	Christoph	Senior Evaluator, Team Leader
Amine	Miriam	Evaluator
Klier	Sarah	Evaluator
Vorwerk	Kirsten	Evaluator
Maicher	Rebecca	Project Administrator
Zimmermann	Tabea	Intern
Pfeifer	Thomas	Intern/Student Assistant
Meiendresch	Timo	Intern/Student Assistant
<b>Responsible</b>		
Leiderer	Stefan	Department Head (since 1 April 2018)
Krapp	Stefanie	Department Head (until 31 March 2018)